

CITY OF DUNSMUIR, CALIFORNIA
BASIC FINANCIAL STATEMENTS
and
SINGLE AUDIT REPORTS
JUNE 30, 2022

City of Dunsmuir, California
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June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the City Council and
Those Charged with Governance
City of Dunsmuir, California

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunsmuir, California as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Dunsmuir, California's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Dunsmuir, California as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Dunsmuir, California and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2022, the City adopted new accounting guidance, [GASB Statement No. 87, Leases](#). My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dunsmuir, California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dunsmuir, California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dunsmuir, California's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* (not presented), the budgetary comparison information on pages 35-36 and the pension disclosure schedules on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunsmuir, California's basic financial statements. The accompanying combining and individual nonmajor fund financial statements on pages 39-40 and schedule of expenditures of federal awards on page 45, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2023, on my consideration of the City of Dunsmuir, California's internal control over financial reporting and on my tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dunsmuir, California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dunsmuir, California's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Charles W. Pilon, CPA".

Charles W. Pilon, CPA
Anderson, California

June 26, 2023

BASIC FINANCIAL STATEMENTS

CITY OF DUNSMUIR
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 1,545,967	\$ 525,882	\$ 2,071,849
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	2,539	43,577	46,116
Loans	876,267	-	876,267
Intergovernmental	703,267	2,323,376	3,026,643
Leases	1,624,069	66,808	1,690,877
Internal balances	68,399	(68,399)	-
Other assets	1,552	-	1,552
Restricted cash and investments	-	241,361	241,361
Capital assets:			
Non-depreciable	1,235,151	12,436,721	13,671,872
Depreciable, net	2,238,862	14,334,738	16,573,600
Total Assets	8,296,073	29,904,064	38,200,137
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	188,068	140,973	329,041
LIABILITIES			
Accounts payable	280,677	436,963	717,640
Accrued liabilities	8,470	4,344	12,814
Unearned revenue	10	7,275	7,285
Deposits	18,263	32,465	50,728
Long-term liabilities, due within one year:			
Notes payable and interest payable	5,000	181,390	186,390
Compensated absences	26,735	48,256	74,991
Due in more than one year:			
Notes payable	61,000	8,414,272	8,475,272
Compensated absences	1,681	41,909	43,590
Net pension liability	489,906	384,507	874,413
Total Liabilities	891,742	9,551,381	10,443,123
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	414,434	369,485	783,919
Deferred inflows from leases	1,562,661	65,309	1,627,970
Total Deferred Inflows of Resources	1,977,095	434,794	2,411,889
NET POSITION			
Net investment in capital assets	3,408,013	18,247,725	21,655,738
Restricted	251,176	241,361	492,537
Unrestricted	1,956,115	1,569,776	3,525,891
Total Net Position	\$ 5,615,304	\$ 20,058,862	\$25,674,166

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Statement of Activities
For The Year Ended June 30, 2022

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		Total
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental Activities							
General government	\$ 424,179	\$ 200,254	\$ 414,327	\$ -	\$ 190,402	\$ -	\$ 190,402
Public safety	1,082,018	310,470	164,465	-	(607,083)	-	(607,083)
Streets and roads	411,735	8,035	197,837	209,201	3,338	-	3,338
Community and economic development	444,045	-	307,472	83,000	(53,573)	-	(53,573)
Total Governmental Activities	2,361,977	518,759	1,084,101	292,201	(466,916)	-	(466,916)
Business-Type Activities							
Sewer	1,089,601	982,169	-	9,741	-	(97,691)	(97,691)
Solid waste	512,681	402,501	5,000	-	-	(105,180)	(105,180)
Water	896,216	973,779	-	2,313,494	-	2,391,057	2,391,057
Airport	208,574	33,800	10,000	380,660	-	215,886	215,886
Total Business-Type Activities	2,707,072	2,392,249	15,000	2,703,895	-	2,404,072	2,404,072
Total Primary Government	\$ 5,069,049	\$ 2,911,008	\$ 1,099,101	\$ 2,996,096	(466,916)	2,404,072	1,937,156
General Revenues							
Taxes:							
Property					342,450	-	342,450
Sales					304,103	-	304,103
Transient occupancy					324,351	-	324,351
Investment earnings					21,411	2,262	23,673
Lease interest revenue					59,422	2,279	61,701
Lease revenue					59,910	2,530	62,440
Other					108,433	-	108,433
Gain on sale of assets					5,550	2,700	8,250
Transfers in (out)					8,689	(8,689)	-
Total General Revenues					1,234,319	1,082	1,235,401
Changes in Net Position					767,403	2,405,154	3,172,557
Net position, beginning, as reported					4,829,881	17,653,708	22,483,589
Prior period adjustment					18,020	-	18,020
Net Position, Beginning, restated					4,847,901	17,653,708	22,501,609
Net Position, Ending					\$ 5,615,304	\$20,058,862	\$25,674,166

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Balance Sheet
Reconciliation of Governmental Fund Balance to the Statement of Net Position - Governmental Activities
Governmental Funds
June 30, 2022

	General Fund	Community Development Project Income Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,268,186	\$ 182,083	\$ 95,698	\$ 1,545,967
Receivables, net of allowance				
Trade	2,539	-	-	2,539
Loans	-	876,267	-	876,267
Intergovernmental	556,640	86,099	60,528	703,267
Leases	1,624,069	-	-	1,624,069
Due from other funds	68,399	-	-	68,399
Prepaid expenses	1,552	-	-	1,552
Total Assets	\$ 3,521,385	\$ 1,144,449	\$ 156,226	\$ 4,822,060
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 175,602	\$ 101,868	\$ 3,207	\$ 280,677
Accrued liabilities	8,470	-	-	8,470
Unearned revenue	10	-	-	10
Deposits	18,263	-	-	18,263
Total Liabilities	202,345	101,868	3,207	307,420
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - unavailable	130,087	19,899	48,258	198,244
Deferred inflows from leases	1,562,661	-	-	1,562,661
Total Deferred Inflows of Resources	1,692,748	19,899	48,258	1,760,905
Fund Balances				
Nonspendable:				
Prepaid expenses	1,552	-	-	1,552
Noncurrent receivables	-	876,267	-	876,267
Total nonspendable	1,552	876,267	-	877,819
Restricted for:				
Streets and roads	-	-	58,077	58,077
Public safety	-	-	46,684	46,684
Community and economic development	-	146,415	-	146,415
Total restricted	-	146,415	104,761	251,176
Unassigned balance (deficit)	1,624,740	-	-	1,624,740
Total Fund Balances	1,626,292	1,022,682	104,761	2,753,735
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,521,385	\$ 1,144,449	\$ 156,226	\$ 4,822,060
Total Governmental Fund Balance, as above				\$ 2,753,735
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds				3,474,013
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(66,000)
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet				(489,906)
Compensated absences in governmental activities are not due and payable in the current period and therefore are not reported in the balance sheet				(28,416)
Deferred outflows and inflows are not receivable or due and payable in the current period and therefore are not reported on the balance sheet				(226,366)
			Pensions Unavailable	198,244
Net Position of Governmental Activities				\$ 5,615,304

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For The Year Ended June 30, 2022

	General Fund	Community Development Block Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 342,450	\$ -	\$ -	\$ 342,450
Sales and use taxes	304,103	-	-	304,103
Transient occupancy taxes	324,351	-	-	324,351
Franchises	44,609	-	-	44,609
Assessments	-	-	35,338	35,338
Licenses and permits	90,602	-	-	90,602
Intergovernmental revenues	570,539	1,513	143,206	715,258
Coronavirus fiscal recovery funds	187,071	-	-	187,071
Coronavirus Round 1 Microenterprise assistance	-	280,092	-	280,092
Coronavirus Round 2 Microenterprise assistance	-	5,968	-	5,968
Charges for services	304,603	-	-	304,603
Fines, forfeitures and penalties	43,607	-	-	43,607
Use of money and property	12,735	8,653	23	21,411
Lease interest revenue	59,422	-	-	59,422
Lease revenue	59,910	-	-	59,910
Other	104,867	-	3,566	108,433
Total Revenues	2,448,869	296,226	182,133	2,927,228
EXPENDITURES				
Current:				
City council	7,692	-	-	7,692
City administrator	56,024	-	-	56,024
City clerk	39,562	-	-	39,562
City attorney	14,666	-	-	14,666
Planning	122,838	-	-	122,838
Finance and administration	98,673	-	-	98,673
Police protection	414,041	-	-	414,041
Code enforcement and animal regulation	124,418	-	-	124,418
Fire protection	397,536	-	9,522	407,058
Streets and roads	92,569	-	93,893	186,462
Transit assistance	-	-	43,461	43,461
Buildings and grounds	108,580	-	-	108,580
Community and economic development	93,450	349,541	-	442,991
Capital outlay	353,887	-	1,458	355,345
Bad debt expense	1,054	-	-	1,054
Debt service:				
Principal	-	-	5,000	5,000
Interest	-	-	4,110	4,110
Total Expenditures	1,924,990	349,541	157,444	2,431,975
Excess of Revenues Over (Under) Expenditures	523,879	(53,315)	24,689	495,253
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	5,550	-	-	5,550
Operating transfers in (out)	(9,140)	254,703	(236,874)	8,689
Total Other Financing Sources (Uses)	(3,590)	254,703	(236,874)	14,239
Changes in Fund Balances	520,289	201,388	(212,185)	509,492
FUND BALANCE				
Beginning of Year, as reported	1,098,314	821,294	316,946	2,236,554
Prior period adjustment	7,689	-	-	7,689
Beginning of Year, as restated	1,106,003	821,294	316,946	2,244,243
End of Year	\$ 1,626,292	\$ 1,022,682	\$ 104,761	\$ 2,753,735

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
For The Year Ended June 30, 2022

Change in Fund Balance of Governmental Funds	\$ 509,492
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	355,345
Depreciation expense	(202,242)
Certain revenues received after ninety (90) days after year-end are recorded as deferred revenue - unavailable in the governmental funds, but are reported as revenues in the Statement of Activities	
	187,913
Government funds report repayment of long-term debt as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	
	5,000
Government funds do not report the change in compensated absences as revenue or (expenditure), but it is reported in the Statement of Activities	
	27,493
Government funds do not report the decrease of unfunded pension obligations revenue or (expenditure), but it is reported in the Statement of Activities	
	(115,598)
Change in Net Position of Governmental Activities	\$ 767,403

CITY OF DUNSMUIR
Statement of Net Position - Proprietary Funds
June 30, 2022

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
ASSETS					
Cash and investments	\$ 135,395	\$ -	\$ 380,888	\$ 9,599	\$ 525,882
Receivables (net of allowances for bad debts, where applicable):					
Trade accounts	22,930	8,530	12,117	-	43,577
Intergovernmental	8,241	-	2,268,788	46,347	2,323,376
Leases	-	-	-	66,808	66,808
Due from other funds	-	-	-	-	-
Restricted cash and investments	181,982	-	59,379	-	241,361
Capital assets:					
Non-depreciable	1,130,481	-	9,778,103	1,528,137	12,436,721
Depreciable, net	7,147,572	1,239	4,138,586	3,047,341	14,334,738
Total Assets	8,626,601	9,769	16,637,861	4,698,232	29,972,463
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pensions	72,323	23,777	43,399	1,474	140,973
LIABILITIES					
Accounts payable	4,169	9,651	419,264	3,879	436,963
Accrued liabilities	2,030	517	1,637	160	4,344
Unearned revenue	2,175	-	-	5,100	7,275
Deposits	121	-	31,944	400	32,465
Due to other funds	-	-	5,000	63,399	68,399
Long-term liabilities, due within one year:					
Notes payable and interest payable	138,423	-	41,102	1,865	181,390
Compensated absences	20,767	3,159	23,041	1,289	48,256
Due in more than one year:					
Notes payable	1,960,589	-	6,430,070	23,613	8,414,272
Compensated absences	30,818	-	11,091	-	41,909
Net pension liability	197,263	64,853	118,371	4,020	384,507
Total Liabilities	2,356,355	78,180	7,081,520	103,725	9,619,780
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	189,556	62,320	113,746	3,863	369,485
Deferred inflows from leases	-	-	-	65,309	65,309
Total Deferred Inflows of Resources	189,556	62,320	113,746	69,172	434,794
NET POSITION					
Net investment in capital assets	6,203,389	1,239	7,467,619	4,575,478	18,247,725
Restricted for debt service	181,982	-	59,379	-	241,361
Unrestricted	(232,358)	(108,193)	1,958,996	(48,669)	1,569,776
Total Net Position	\$ 6,153,013	\$ (106,954)	\$ 9,485,994	\$ 4,526,809	\$ 20,058,862

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2022

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
REVENUES					
User fees and charges	\$ 982,169	\$ 402,501	\$ 973,779	\$ -	\$ 2,358,449
Facilities rent	-	-	-	33,800	33,800
Lease revenue	-	-	-	2,530	2,530
Total Operating Revenues	982,169	402,501	973,779	36,330	2,394,779
OPERATING EXPENSES					
Cost of power and water	45,785	-	9,673	2,431	57,889
Maintenance, operations, and administration	678,381	510,095	607,071	42,721	1,838,268
Depreciation and amortization	297,330	219	173,890	161,543	632,982
Bad debt expense	7,411	2,367	973	-	10,751
Total Operating Expenses	1,028,907	512,681	791,607	206,695	2,539,890
Operating Income (Loss)	(46,738)	(110,180)	182,172	(170,365)	(145,111)
OTHER REVENUES (EXPENSES)					
Intergovernmental revenues	9,741	5,000	2,313,494	390,660	2,718,895
Interest earned	70	221	1,971	-	2,262
Lease interest revenue	-	-	-	2,279	2,279
Interest expense	(60,694)	-	(104,609)	(1,879)	(167,182)
Gain on sale of assets	-	-	2,700	-	2,700
Total Other Revenues (Expenses)	(50,883)	5,221	2,213,556	391,060	2,558,954
Net Income (Loss) Before Transfers	(97,621)	(104,959)	2,395,728	220,695	2,413,843
TRANSFERS					
Transfers in (out)	(8,689)	-	-	-	(8,689)
Change in Net Position	(106,310)	(104,959)	2,395,728	220,695	2,405,154
NET POSITION					
Beginning of Year	6,259,323	(1,995)	7,090,266	4,306,114	17,653,708
End of Year	\$ 6,153,013	\$ (106,954)	\$ 9,485,994	\$ 4,526,809	\$ 20,058,862

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2022

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 985,619	\$ 405,780	\$ 974,116	\$ 35,695	\$ 2,401,210
Payments to suppliers	(410,383)	(452,148)	(265,546)	(24,777)	(1,152,854)
Payments to employees	(313,445)	(66,015)	(340,732)	(20,919)	(741,111)
Net Cash Provided (Used) by Operating Activities	261,791	(112,383)	367,838	(10,001)	507,245
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipt of intergovernmental revenue	-	5,000	-	66,892	71,892
Principal payments on debt	-	-	-	(1,822)	(1,822)
Interest payments on debt	-	-	-	(1,879)	(1,879)
Interfund transfers and repayments	(2,566)	-	-	(133,093)	(135,659)
Net Cash Provided (Used) by Non-Capital Financing Activities	(2,566)	5,000	-	(69,902)	(67,468)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING					
Receipt of intergovernmental revenues used for capital asset purchases	1,332	-	438,399	482,330	922,061
Purchase of capital assets	(7,215)	(1,458)	(5,079,914)	(396,297)	(5,484,884)
Proceeds from sale of capital assets	-	-	2,700	-	2,700
Proceeds from capital debt	-	-	3,447,519	-	3,447,519
Principal payments on debt	(111,605)	-	(18,000)	-	(129,605)
Interest payments on debt	(62,138)	-	(87,558)	-	(149,696)
Net Cash (Used) by Investing Activities	(179,626)	(1,458)	(1,296,854)	86,033	(1,391,905)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	70	221	1,971	3,309	5,571
Net Increase (Decrease) in Cash	79,669	(108,620)	(927,045)	9,439	(946,557)
CASH					
Beginning of Year	237,708	108,620	1,367,312	160	1,713,800
End of Year	\$ 317,377	\$ -	\$ 440,267	\$ 9,599	\$ 767,243
Comprised of:					
Cash and investments	\$ 135,395	\$ -	\$ 380,888	\$ 9,599	\$ 525,882
Restricted cash and investments	181,982	-	59,379	-	241,361
Total Cash and Cash Investments	\$ 317,377	\$ -	\$ 440,267	\$ 9,599	\$ 767,243
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ (46,738)	\$ (110,180)	\$ 182,172	\$ (170,365)	\$ (145,111)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	297,330	219	173,890	161,543	632,982
(Increase) decrease in accounts receivable, net	3,755	3,279	(2,028)	(854)	4,152
Decrease in deferred outflows from pensions	9,466	3,113	5,680	193	18,452
Increase (decrease) in accounts payable	(19,310)	(12,968)	(6,343)	(156)	(38,777)
Increase (decrease) in compensated absences	(1,385)	(2,085)	715	(948)	(3,703)
Increase (decrease) in deposits and other liabilities	(305)	-	2,365	(19)	2,041
Increase in unearned revenue	-	-	-	2,748	2,748
(Decrease) in net pension liability	(149,139)	(49,033)	(89,494)	(3,040)	(290,706)
Increase in deferred inflows from pensions	168,117	55,272	100,881	3,426	327,696
(Decrease) in deferred inflows from leases	-	-	-	(2,529)	(2,529)
Net Cash Provided (Used) by Operating Activities	\$ 261,791	\$ (112,383)	\$ 367,838	\$ (10,001)	\$ 507,245
Note regarding operating activities					
The respective change in accounts payable does not reflect the purchase of capital assets	\$ -	\$ -	\$ 408,860	\$ 3,877	\$ 412,737

The accompanying notes are an integral part of these financial statements.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dunsmuir, California (hereafter “the City”) operates under a City Council – City Manager form of government and provides the following services: public safety, streets and roads, water and sewer, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

The financial statements of the City include all of the financial activities of the City. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City does not have any component units.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are reported separately from business-type activities (such as sewer, solid waste, water, and airport).

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City’s business-type activities and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods and services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type; and

Total assets, liabilities, revenues, or expenditures/expenses for the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below:

Major Governmental Funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Development Block Grant Fund (CDBG) accounts for the financing of home rehabilitation and economic development, as financed by monies passed through the State by the federal government.

Major Proprietary Funds:

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Sewer Fund was established to account for the operations of the City's sewer utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Solid Waste Fund was established to account refuse collection, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Water Fund was established to account for the operations of the City's water utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Airport Fund was established to account for the operations of Mott Field.

Additionally, the City reports the following non-major governmental funds:

Local Transportation Fund: Established to account for the construction and maintenance of the streets and roads of the City, as well as to provide mass transit, as financed from "Transportation Development Act" monies passed through the County of Siskiyou by the State.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gas Tax Funds (2103, 2106, 2107, 2107.5, 2107SR) and SB1 RMRA Fund: Established to account for the construction and maintenance of the streets and roads of the City as financed by gas taxes received from the State.

Fire Assessment Fund: Established to provide for fire apparatus and equipment and replacement thereof as needed by the Dunsmuir Fire Department. The Dunsmuir Fire Department is volunteer department with the exception of Fire Chief. The assessment district was not established to pay for volunteer costs which are none.

Economic Development Block Grant (EDBG) Fund: Accounts for the financing of businesses, as financed by monies passed through the State by the federal government. This fund was closed into the CDBG Fund during this fiscal year.

South Dunsmuir Sewer Assessment Fund: Established to account for assessments levied against certain property owners for the purpose of payment of long-term bonds issued for improvements of the sewer system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate.

All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

All proprietary (enterprise) funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net asset.

Fiduciary (agency) funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting:

In the government-wide statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, governmental and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 180 days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting, as described above.

D. Assets, Liabilities, Net Position or Fund Equity

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the City considers as cash equivalents all highly liquid investments with a maturity at the date of purchase of three months or less.

Investments:

The City participates in the California Local Agency Investment Fund ("LAIF"). LAIF is an external investment pool through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without the loss of interest. The fair value of the City's portion of LAIF is materially the same as its value of the pool shares. The regulatory oversight of LAIF rests with the Local Agency Investment Board.

Receivables:

In the fund financial statements, material receivables in governmental funds are the same as those in the government-wide statements, since they are both measurable and available. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable are based on historical trends, periodic aging of accounts receivable, and management's detailed analysis of the composition of accounts receivable.

Property Taxes:

The County of Siskiyou assesses, bills, and collects property taxes for the City. Assessed values are determined annually by the Siskiyou County Assessor as of January 1, and become a lien on such property January 1. Taxes are due November 1 and February 1 (secured), and July 1 (unsecured) and are delinquent if not paid by December 10 and April 10 (secured), and August 31 (unsecured). The County is permitted by the State Constitution (Article XIII A) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can increase a property's assessed valuation by reappraisal due to new construction, change in ownership, or by increase in fair market value not to exceed a 2% each year. Property taxes collected by the County on behalf of the City but not remitted to the City by June 30 are accrued in revenue and included in other accounts receivable.

Interfund Balances:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These may include amounts relating to goods and services type transactions, and interfund loans.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets:

Certain resources set aside for the repayment of the City's sewer and water funds long-term debt are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Capital Assets:

The accounting treatment for property, plant, equipment and infrastructure assets (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, property, plant, equipment and infrastructure assets with a cost of \$5,000 or more, and a useful life in excess of one year, are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except donated capital assets are recorded at their estimated fair market value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility plant	40 years
Buildings	20 to 40 years
Improvements not buildings	10 to 40 years
Machinery and equipment	5 to 40 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Donated Assets:

Donated assets are recorded at fair market value at the time of donation.

Compensated Absences:

Vacation pay and compensated time off is vested to the employees as it accrues and is payable upon separation of service and therefore, have been accrued in the accompanying financial statements. Sick pay is vested to the employee as it accrued and is payable only upon retiring from employment with the City and all hours are payable except for the first one hundred and fifty (150) hours of the accrual which are returned to the City.

Net Pension Asset/Liability:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenue:

Unearned revenue represents monies received that has not yet been expended by the City and is not earned (as revenue) until it is properly expended.

Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources are defined as the current consumption of net assets that is applicable to a future reporting period while deferred inflows of resources are defined as the current acquisition of net assets that is applicable to a future reporting period.

The deferred outflows of resources and deferred inflows of resources relate to the City's pension plans, as well as deferred inflows related to leases under GASB 87.

Equity Classifications:

In the government-wide financial statements, equity is classified as net position and displayed as follows:

Net investment in capital assets, which consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position, which consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted net position, all other net position is reported in this category.

Fund Balance Classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Noncurrent receivables and prepaid expenses are classified as nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has externally imposed restrictions for police, fire assessment funds, streets and roads, public transportation, and community development.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification (Continued):

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2022.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City did not have any assigned resources as of June 30, 2022.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by character (current, debt service or capital outlay) for governmental funds, and by operating or non-operating classifications for proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets

The City adopts an annual budget for the fiscal year commencing the following July 1. Budgets are adopted on a basis consistent with generally accepted accounting principles. The level of control, the level at which expenditures may not exceed budget, is the fund. Unused appropriations lapse at the end of the fiscal year. The City does not use encumbrance accounting.

NOTE 2 IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

Effective for fiscal years beginning July 1, 2022, the **GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

In June 2022, the **GASB issued Statement No. 101, *Compensated Absences***, which is effective for fiscal years beginning July 1, 2023. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

This Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

NOTE 3 CASH AND INVESTMENTS

The City follows the practice of pooling cash of all funds, unless the funds are required by law, debt covenant or other instrument to be held in a separate account. Interest income on pooled cash invested is allocated monthly to the various funds based on the same proportion that such funds bear to the total monies invested.

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Current cash and investments	\$ 2,071,849
Restricted cash and investments	241,361
	\$ 2,313,210
 Consisting of the following:	
Cash on hand	\$ 350
Deposits with financial institutions	1,237,912
Investments in LAIF	1,074,948
	\$ 2,313,210

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 3 CASH AND INVESTMENTS (continued)

Investments Authorized:

The City manages its pooled idle cash investments under the guidelines of the State of California Government Code Section 53601 which specifically authorizes investments in the following instruments: treasury bills, treasury notes, federal agency securities, bankers' acceptances, nonnegotiable certificates of deposit, commercial paper, negotiable certificates of deposit, and repurchase agreements. All investments activities are conducted with financial institutions approved by the City Council.

Disclosure Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value in market interest rates. As of year-end, the weighted average maturity, as well as the estimated fair value of each investment, are shown in the table below.

	Cost	Fair Value	Maturity Date
Local Agency Investment Fund	\$1,074,948	\$1,074,948	311-day average

Disclosure Relating to Credit Risk:

Generally, credit risk is the risk that an issuer if an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have such a rating.

Concentration of Credit Risk:

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5 percent or more of total City investments. There are no investments in any one issuer that represent 5 percent or more of total investments by reporting unit.

Custodial Credit Risk:

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

The City's balance in banks was \$1,657,361, all of which was covered by federal depository insurance, or the collateral requirements discussed in the preceding paragraph. The bank balance differs from the book balance of \$1,237,912 because of deposits in transit offset by outstanding checks.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 3 CASH AND INVESTMENTS (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool (LAIF):

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 RECEIVABLES

The following is the composition of loans receivable at June 30, 2022:

		Community Development Block Grant Fund
Loans receivables	\$	1,066,134
Less: allowance for bad debt		(189,867)
Loans receivable, net	\$	876,267

There are no related party loan balances at June 30, 2022.

The following is the composition of Proprietary Funds utility trade receivables at June 30, 2022:

	Sewer	Solid Waste	Water	Total
Trade receivables	\$ 41,637	\$ 15,489	\$ 22,002	\$ 79,128
Less: allowance for bad debts	(18,707)	(6,959)	(9,885)	(35,551)
Receivables, net of allowance	\$ 22,930	\$ 8,530	\$ 12,117	\$ 43,577

Lease Receivables:

As stated in Note 15, during 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement 87, Leases. As a result of implementing this Statement, three of the City's lessor leasing arrangements are now being presented according to the provisions of the Statement. The disclosures for each lease are as follows:

Governmental Activities – General Fund

1. Aviva Beverage Lease - In August 2018, the City entered into an agreement with Aviva Beverage, LLC ("Lessee") to lease real property, including all improvements, described as 20,910 square feet of Industrial Building. The terms of this agreement started with an annual payment for the first year of \$28,962, fixed minimum monthly payments ("base rent") of \$4,827 per month for years two and three and \$8,050 per month for years four and five. Due to the Covid-19 pandemic restrictions, the rent for years four and five were renegotiated to stay the same as years two and three.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 4 RECEIVABLES (continued)

The lease commenced August 1, 2018 with a term of five (5) years, with five (5) options to renew for five (5) years for each option. Thus, the total non-cancellable term under GASB 87 is thirty (30) years. The lease agreement provides for an increase of the base rent to \$8,613.50 per month for the first option period of five years and an increase for each option period after option period #1 equal to the prior year's rent plus the Consumer Price Index (CPI) increase, except that the increase will be no less than 1% and no more than 3% per year.

The City implemented GASB 87 using the base monthly rent of \$4,827 in July 2021 to measure the lease receivable as of July 1, 2021 by discounting the future minimum lease payments to a net present value using a four (4) percent interest rate, the approximate rate for real estate purchases in July 2021. The future minimum lease payments used for computing the net present value to measure the lease receivable incorporates the "known" annual increases to the base rent in affect at July 1, 2021 as mentioned in the previous paragraph, but does not incorporate unknown variable rate increases based on CPI changes. The lease receivable at July 1, 2021 was measured at \$1,622,571.

Business-Type Activities – Airport Fund

2. Facility Lease - In October 2000, the City entered into an agreement with David Fabbrini, on behalf of himself and/or Fabbrini Wood Products and/or Mott Airport Mini-Storage, ("Lessee") to lease real property known as 1010 Mott Airport Road. The lease commenced October 1, 2000 and will terminate on September 30, 2050 for a total non-cancellable term under GASB 87 of fifty (50) years. The terms of this agreement started on October 1, 2000 with fixed minimum payments ("base rent") of \$100 per month for the first year. For each successive year of the lease term, the rental amount shall increase by two (2) percent on October 1st of each year.

The City implemented GASB 87 using the base monthly rent of \$154.60 in July 2021 to measure the lease receivable as of July 1, 2021 by discounting the future minimum lease payments to a net present value using a four (4) percent interest rate, the approximate rate for real estate purchases in July 2021. The future minimum lease payments used for computing the net present value to measure the lease receivable incorporates the two (2) percent annual increases to the base rent in affect at July 1, 2021. The lease receivable at July 1, 2021 was measured at \$39,679.

3. Site Lease - In September 2021, the City entered into an agreement with the Dunsmuir Rod and Gun Club, ("Lessee") to lease real property "land" at the Mott Airport. The lease commenced September 1, 2021 and will terminate on August 31, 2041 for a total non-cancellable term under GASB 87 of twenty (20) years. The terms of this agreement started on September 1, 2021 with fixed minimum payments ("base rent") of \$150 per month for the first ten (10) years and increasing to \$200 per month for the next ten (10) years.

The City implemented GASB 87 using the base monthly rent of \$150 in September 2021 to measure the lease receivable as of September 1, 2021 by discounting the future minimum lease payments to a net present value using a four (4) percent interest rate, the approximate rate for real estate purchases in September 2021. The future minimum lease payments used for computing the net present value to measure the lease receivable incorporates the annual increase in year eleven (11). The lease receivable at September 1, 2021 was measured at \$28,159.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 5 INTERFUND BALANCES AND OPERATING TRANSFERS

The following is a summary of the interfund balances at June 30, 2022:

	Due from Other funds	Due to Other Funds	Net Due to/from Other Funds
Governmental Activities			
General Fund	\$ 68,399	\$ -	\$ 68,399
Total Governmental Activities	68,399	-	68,399
Business-Type Activities			
Airport Fund	-	63,399	(63,399)
Water Fund	-	5,000	(5,000)
Total Business-Type Activities	-	68,399	(68,399)
Total Government Wide Statement	\$ 68,399	\$ 68,399	\$ -

The above amounts are to cover prior year negative cash balances in the respective funds' pooled cash accounts, and will be repaid by transferring monies from other cash accounts or from future revenues. The Airport Fund's interfund balance due to the General Fund is subject to two percent (2%) interest effective July 1, 2020, includes \$1,243 of accrued interest recorded in the current year, and will be repaid through future positive cash flows or operating grants.

The following is a summary of operating transfers in/out:

	Transfers In	Transfers Out	Net Transfers In (Out)
Governmental Activities			
General Fund	\$ -	\$ 9,140	\$ (9,140)
Community Development Block Grant Fund	254,703	-	254,703
Non-major governmental funds	17,829	254,703	(236,874)
Total Governmental Activities	272,532	263,843	8,689
Business-Type Activities			
Sewer Fund	-	8,689	(8,689)
Total Business-Type Activities	-	8,689	(8,689)
Total Government Wide Statement	\$ 272,532	\$ 272,532	\$ -

The operating transfers to non-major governmental funds were for operating expenditures. Transfers in to the Community Development Block Grant Fund (CDBG) and out of the non-major Economic Development Fund were to close the non-major fund in to the CDBG Fund.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 6 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2022, are as follows:

	June 30, 2021	Additions/ Transfers	Retirements/ Transfers	June 30, 2022
Governmental Activities:				
Nondepreciable capital assets				
Land	\$ 1,151,800	\$ 83,351	\$ -	\$ 1,235,151
Construction in progress	140,322	213,673	-	353,995
Total nondepreciable capital assets	1,292,122	297,024	-	1,589,146
Capital assets being depreciated:				
Buildings	2,115,720	-	-	2,115,720
Machinery and equipment	2,447,850	58,321	(51,503)	2,454,668
Infrastructure	3,266,225	-	-	3,266,225
Total capital assets being depreciated	7,829,795	58,321	(51,503)	7,836,613
Less accumulated depreciation for:				
Buildings	1,592,912	35,716	-	1,628,628
Machinery and equipment	1,664,356	68,833	(51,503)	1,681,686
Infrastructure	2,543,739	97,693	-	2,641,432
Total accumulated depreciation	5,801,007	202,242	(51,503)	5,951,746
Total capital assets being depreciated, net	2,028,788	(143,921)	-	1,884,867
Subtotal, governmental activities, net	3,320,910	153,103	-	3,474,013
Business-Type Activities:				
Nondepreciable capital assets				
Land	1,741,070	-	-	1,741,070
Construction in progress	8,230,317	5,244,573	(2,779,239)	10,695,651
Total nondepreciable capital assets	9,971,387	5,244,573	(2,779,239)	12,436,721
Capital assets being depreciated:				
Utility plant	17,110,970	-	-	17,110,970
Buildings	240,866	-	-	240,866
Improvements not buildings	2,896,158	-	2,779,239	5,675,397
Machinery and equipment	1,266,947	10,932	(37,979)	1,239,900
Total capital assets being depreciated	21,514,941	10,932	2,741,260	24,267,133
Less accumulated depreciation for:				
Utility plant	5,776,250	419,922	-	6,196,172
Buildings	173,395	6,551	-	179,946
Improvements not buildings	2,295,438	171,289	-	2,466,727
Machinery and equipment	1,092,309	35,220	(37,979)	1,089,550
Total accumulated depreciation	9,337,392	632,982	(37,979)	9,932,395
Total capital assets being depreciated, net	12,177,549	(622,050)	2,779,239	14,334,738
Subtotal, business-type activities, net	22,148,936	4,622,523	-	26,771,459
Total, government-wide capital assets, net	\$ 25,469,846	\$ 4,775,626	\$ -	\$ 30,245,472

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 6 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs for the year ended June 30, 2022, as follows:

Governmental Activities:	
General government	\$ 43,576
Public safety	62,454
Streets and roads	96,212
Total Governmental Activities	\$ 202,242
Business-Type Activities:	
Sewer	\$ 297,330
Solid Waste	219
Water	173,890
Airport	161,543
Total Business-Type Activities	\$ 632,982

NOTE 7 LONG TERM DEBT

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Current Portion
Governmental Activities:					
South Dunsmuir Sewer Special Assessment District Debt	\$ 71,000	\$ -	\$ 5,000	\$ 66,000	\$ 6,000
Business-Type Activities:					
Notes from direct borrowings	\$ 5,233,121	\$ 3,447,519	\$ 131,428	\$ 8,549,212	\$ 134,940
Interest payable	30,843	46,450	30,843	46,450	46,450
Total Business-Type Activities	\$ 5,263,964	\$ 3,493,969	\$ 162,271	\$ 8,595,662	\$ 181,390

The City's outstanding debt from the special assessment district for the South Dunsmuir Sewer system related to governmental activities of \$66,000 has annual principal payments and semi-annual interest payable at 6% maturing September 2, 2030. The debt contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this special assessment debt.

The City's outstanding notes from direct borrowings related to business-type activities of \$8,549,212 are comprised of the following direct borrowings and contain the following provisions:

1994 USDA Sewer Improvement Certificates of Participation: Annual principal payments and semi-annual interest payable at 4.5% maturing May 1, 2035. The City agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, the reserve, accumulated annually, shall be equal to 125% of average annual debt service on the obligation or \$26,879. At June 30, 2022, the City has accumulated a reserve of \$26,879 in a separate reserve account and shows this as part of restricted cash in the Sewer Fund. The City pledges to repay the entire principal amount of the loan from the sewer user fees and service charges of its Sewer Enterprise Fund and has pledged said sewer user fees and services charges as collateral to secure the repayment of the loan. There are no default provisions for this debt.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 7 LONG TERM DEBT (continued)

2007 USDA Sewer Loan: Annual principal payments and semi-annual interest payable at 4.25% maturing May 1, 2046. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this direct borrowing.

2012 State Water Resources Control Board: Annual principal payments with interest payable at 1.8% maturing August 31, 2034. The City agrees to pledge annual "Net Revenues", defined as net operating income, excluding depreciation, up to a minimum equal to 1.2 times the highest year's debt service or \$125,711. This obligation is secured by a lien on this pledge of Net Revenues. At June 30, 2022, the City has accumulated \$155,103 of this pledge in a separate reserve account and shows this as part of restricted cash in the Sewer Fund. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment.

1994 USDA Water Improvement Certificates of Participation: Annual principal payments and semi-annual interest payable at 5.125% maturing May 1, 2035. The City agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, the reserve, accumulated annually, shall be equal to 125% of average annual debt service on the obligation or \$32,724. At June 30, 2022, the City has accumulated a reserve of \$59,379 in a separate reserve account and shows this as restricted cash in the Water Fund.

The City pledges to repay the entire principal amount of the loan from the water user fees and service charges of its Water Enterprise Fund and has pledged said water user fees and services charges as collateral to secure the repayment of the loan. There are no default provisions for this debt.

2021 RD/RUS Interim Loan Anticipation Note: Pursuant to a letter of conditions dated April 24, 2020 from the USDA Rural Development ("RD/RUS") relating to the financing by RD/RUS of improvements to the City's wastewater treatment system, the City entered into a loan anticipation note agreement with CoBANK in the amount of \$7,934,000, to finance the project on an interim basis (i.e. construction financing) pending the issuance and delivery of the RD/RUS financing. The City will pay the principal of the obligation at or prior to maturity (thirty-six months after closing, approx. March 2024) with the proceeds of the RD/RUS financing. The balance of the obligation at June 30, 2022 was \$6,131,070, not including interest payable of \$19,394. Interest is charged on the outstanding balance of the loan at the 1-month LIBOR Rate plus 1.4%. The project is expected to be finished and the RD/RUS financing issued in FY22-23.

Security: Pursuant to Government Code, the proceeds of the RD/RUS financing are pledged for the payment of the interim financing obligation and the interest thereon.

Default: Default is defined as the City failing to make any payment to the lender or a termination or material modification of the RD/RUS letter of conditions. In the event of default, the lender may suspend construction financing and declare all outstanding principal and accrued interest thereon immediately due and payable.

2017 California Department of Transportation Airport Pavement Maintenance Management and Airport Layout Plan Loan: Annual principal payments with interest payable at 2.33% maturing February 22, 2034. The debt contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this direct borrowing.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 7 LONG TERM DEBT (continued)

Debt service requirements on long-term debt at June 30, 2022, are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	So. Dunsmuir Sewer Special Assessment		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 6,000	\$ 3,780	\$ 134,940	\$ 253,995
2024	6,000	3,420	6,269,549	246,324
2025	7,000	3,030	143,044	68,330
2026	7,000	2,610	147,640	64,168
2027	7,000	2,190	150,264	59,839
2028-2032	33,000	3,990	825,733	229,325
2033-2037	-	-	585,042	103,353
2038-2042	-	-	149,000	50,128
2043-2047	-	-	144,000	15,598
	\$ 66,000	\$ 19,020	\$ 8,549,212	\$ 1,091,060

NOTE 8 COMPENSATED ABSENCES

Included in long-term liabilities, changes in compensated absence payable for the year ended June 30, 2022, is as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Current Portion
Governmental Activities:					
General fund	\$ 55,910	\$ -	\$ 27,494	\$ 28,416	\$ 26,735
Business-Type Activities:					
Sewer fund	52,971	-	1,386	51,585	20,767
Solid Waste fund	5,244	-	2,085	3,159	3,159
Water fund	33,417	715	-	34,132	23,041
Airport fund	2,237	-	948	1,289	1,289
Total Business-Type Activities	93,869	715	4,419	90,165	48,256
Total Compensated Absences	\$ 149,779	\$ 715	\$ 31,913	\$ 118,581	\$ 74,991

NOTE 9 PENSION PLAN

General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

The “Plan” is a cost-sharing multiple-employer defined-benefit pension plan administered by CalPERS. The June 30, 2020 GASB 68 actuarial valuation report for the combined **Miscellaneous** and **Safety (police and fire) Risk Pools** lists a full description of the assumptions for funding purposes, but not accounting purposes, and membership information. The benefits provided from Appendix B of the June 30, 2020, actuarial valuation report for the CalPERS **Miscellaneous** and **Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9 PENSION PLAN (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS' annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan's** actuarially determined rate is the estimated amount necessary to pay the **Plan's** allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2020 (the measurement date), the basis for the contribution rates is actual contributions made, and not the actuarially determined contribution. The employees and the employer had the following contribution rates, shown as a percentage of the annual payroll:

Miscellaneous		
Contribution Type	Classic	PEPRA
Employee (Charged)	7.000%	6.750%
Employee (Effective)	6.908%	6.750%
Employer	10.484%	7.732%
Safety		
Employee (Charged)	0.000%	13.000%
Employee (Effective)	0.000%	13.000%
Employer	0.000%	13.044%

The charged employee contribution rate is the percentage that **Plan** charges the employees after the first \$400 in earnings for Classic plans. The Classic plan charges the first \$400 in earnings at two-thirds of the charged rate. The effective employee contribution rate takes this into consideration.

Employer contribution rates may change if the **Plan** amends its contracts. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions, or situations where members pay a portion of the employer contribution.

Actuarial Methods and Assumptions Used to Determine Plan Contributions

CalPERS derived the actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020–2021 from the June 30, 2020, funding valuation report.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table ¹	Derived using CalPERS' membership data for all funds

All other actuarial assumptions used in the June 30, 2020, valuation use the results of CalPERS Experience Study and Review of Actuarial Assumptions — December 2017, including updates to salary increases, mortality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

¹ CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP–2016. For more details on this table, please refer to the 2017 experience study report.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9 PENSION PLAN (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected rate of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class¹	Assumed asset allocation	Real return years 1-10 ^{-2,4}	Real return years 11 ^{+3,4}
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

¹ In the System's Annual Comprehensive Financial Report (ACFR), Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

⁴ Figures are based on previous ALM of 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions, the **Plan's** fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

Under GASB 68, agencies recognize actuarial gains and losses related to changes in total pension liability and fiduciary net position in the pension expense systematically over time.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9 PENSION PLAN (continued)

Agencies recognize the first amortized amount of a gain or loss in the pension expense for the year the gain or loss occurs. Agencies categorize the remaining amounts as deferred outflows and deferred inflows of resources related to pensions that are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	Five-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members provided with benefits (active, inactive and retired), as of the beginning of the measurement period.

The report amortizes the Net Difference between the Projected and Actual Investment Earnings on Pension Plan Investments over a five-year period on a straight-line basis. The report recognizes one-fifth of the total in the Pension Expense during the measurement period and amortizes the remaining Net Difference between Projected and Actual Investment Earning on Pension Plan Investments at the measurement date over the remaining four-year period. The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the **Plan**. The EARSL for PERF C for the June 30, 2021 measurement date, is 3.7 years.

CalPERS derived the EARSL by dividing the total service years of 561,622 (the sum of remaining service lifetimes of all active employees) by 150,622 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

The Schedule of Collective Pension Amounts does not reflect employer-specific amounts such as changes in the employer proportion, differences between actual employer contributions and employers' proportionate shares of contributions, and employer contributions to PERF C subsequent to the measurement date, as defined in GASB 68 paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

CalPERS' website provides CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools with contribution rates within the pool based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. The valuation uses plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9 PENSION PLAN (continued)

Please refer to the CalPERS “Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedules of Employer Allocations and Collective Pension Amounts” report for the **Miscellaneous** and **Safety Risk Pools**, available from the CalPERS’ website under the GASB 68 section.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of each **Plan** as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$659,080
Safety	215,333
Total	\$874,413

The City’s net pension liability for each **Plan** is measured as the proportionate share of the net pension liability. The net pension liability of each **Plan** is measured as of June 30, 2021, and the total pension liability for each **Plan** used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension **Plan** relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each **Plan** as of the June 30, 2021 measurement date was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2020	0.02744%	0.00397%	0.01307%
Proportion - June 30, 2021	0.03471%	0.00614%	0.01617%
Change - Increase/(Decrease)	0.00727%	0.00217%	0.00310%

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the June 30, 2021 measurement date, the contributions recognized as part of pension expense for each **Plan** were as follows:

	Miscellaneous		Safety
\$	129,270	\$	30,865

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$336,665.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9 PENSION PLAN (continued)

At the June 30, 2021 measurement date, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Measurement Year Ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ -
Differences between actual and expected experience	110,699	-
Difference between projected and actual earnings on pension plan investments	-	703,507
Differences between the employer's proportionate share of contributions	18,503	57,988
Change in employer's proportion	34,214	22,424
Pension contributions made subsequent to the measurement date	165,625	-
Total	\$ 329,041	\$ 783,919

The \$165,625 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30,	
2022	\$ (127,927)
2023	(138,883)
2024	(159,429)
2025	(194,264)
2026	-
Remaining	-
Total	\$ (620,503)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each **Plan**, calculated using the discount rate for each **Plan**, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability			
Miscellaneous	\$1,305,677	\$659,080	\$124,548
Safety	292,599	215,333	151,868
Total	\$1,598,276	\$874,413	\$276,416

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS' financial report (CAFR), available at the CalPERS' website.

Payable to the Pension Plan

The City did not have any current amounts payable to the pension plan at June 30, 2022.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 10 SELF-INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE), a JPA providing shared risk pool for general liability and workers compensation claims and purchase of insurances in excess of shared losses, primary insurance or reinsurance for other risks incurred in City operations. The City is responsible to pay the first \$25,000 of each claim, but has coverage through the pool of up to \$45,000,000 per claim.

NOTE 11 RESTRICTED NET POSITION

Restricted net position is equity whose use is subject to constraints that are either; (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2022 for governmental activities were restricted for the specific fund purpose and business-type activities were restricted for debt service.

NOTE 12 FUND BALANCE

As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Non-spendable Fund Balance of \$1,552 consisting of prepaid expenses and an Unassigned Fund Balance of \$1,624,740 at June 30, 2022.

Other Major Fund

The Community Development Block Grant Fund has Non-spendable Fund Balance of \$876,267 consisting of noncurrent receivables and an Restricted Fund Balance of \$146,415 at June 30, 2022.

Other Funds

Other governmental (non-major) funds have Restricted Fund Balance of \$104,761 restricted for fund purposes of public safety and streets and roads improvements at June 30, 2022.

NOTE 13 CONTINGENCIES

The City participates in several Federal and State assisted grant programs that are subject to audit by the grantors. Although the ultimate outcome of such audits cannot be determined at this time, the City believes that such audits will not have a material adverse effect on the City.

The City is also a party to several legal actions. Should the outcome be unfavorable to the City, it does not expect the financial effects will be material to the financial position of the City.

NOTE 14 COMMITMENTS

The City had contractual commitments at June 30, 2022, of approximately \$7,109,302 for contractor and engineering services for the construction of various City sewer, water and airport projects. The City also had contractual commitments at June 30, 2022, of approximately \$187,835 for a subrecipient agreement for services provided for the Covid-19 assistance grants, \$80,306 for a subrecipient agreement for services provided for an economic assistance grant, and \$123,093 for a contractual agreement for services provided for the SB2 planning grant.

NOTE 15 LEASES, CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

The City leases the children's park and City parking lots, as well as some office equipment, under non-cancellable lease terms of one-year or less and are reported as operating leases within the various functions of the City government.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2022

NOTE 15 LEASES, CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT (continued)

For 2022, the City implemented Governmental Accounting Standards Board (GASB) **Statement 87, Leases**. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result of implementing this Statement, the City's three leases referred to in Note 4 are now being presented according to the provisions of the Statement. The changes were incorporated in the City's 2022 financial statements and two of the leases had an effect on the beginning fund balance of the General Fund and beginning net position of the Airport Fund. At July 1, 2021, the date of implementation for the Aviva Beverage Lease, the City's General Fund recognized \$1,622,571 in lease receivable; this entire amount was offset by deferred inflows of resources from leases, thus there was a net zero effect on beginning fund balance. The City's Airport Fund recognized \$39,679 in lease receivable for the Facility Lease; this entire amount was offset by deferred inflows of resources from leases, thus there was a net zero effect on beginning net position. At September 1, 2021, the date of implementation for the Site Lease, the City's Airport Fund also recognized \$28,159 in lease receivable; this entire amount was offset by deferred inflows of resources from leases.

NOTE 16 PRIOR PERIOD ADJUSTMENT

During this fiscal year the City discovered several errors to the previously issued financial statements relating to the General Fund and the Governmental Activities. The following tables describe the adjustments and the impact on Fund Balance, Net Position and the Change in Net Position of the 20-21 fiscal year:

	Fund Balance Decrease (Increase)
1. Prior period adjustment to correctly recognize property tax revenues	\$ 17,604
2. Prior period adjustment to correct TOT and SCTID payable	12,945
3. Prior period adjustment to record deferred revenue - unavailable for SB2 grant funds	(10,331)
4. Prior period adjustment to record rent concessions for the bottling company lease	(12,529)
Net Impact - General Fund	\$ 7,689

IMPACT ON:

GOVERNMENTAL ACTIVITIES

Net Position - July 1, 2021 - as previously reported	\$ 4,829,881
Prior Period Adjustments #1, 2 & 4	18,020
Net Position - July 1, 2021 - as restated	\$ 4,847,901
Change in Net Position - FY 20-21 - as previously reported	\$ 342,425
Prior Period Adjustments #1, 2 & 4	18,020
Change in Net Position - FY 20-21 - as restated	\$ 360,445

NOTE 17 SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the City finalized the construction and financing of the water mainline reconstruction project financed by the USDA RUS loan (see Note 7) and grant funds. Through year-end June 30, 2022, the City was unsure how much of the soft costs (i.e. engineering, water meters and interim financing interest) of the project could actually be financed through these funds, therefore there was an assumption made that these costs would be funded by the City's water fund sources and that revenue would not be recognized until it was sure whether any of these costs would be funded by the grant funding source. In December 2022, the City submitted a funds request to the USDA requesting approximately \$1,340,887 of these soft costs incurred through June 30, 2022, and recorded a year-end accrual to recognize this revenue.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF DUNSMUIR
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 308,500	\$ 308,500	\$ 342,450	\$ 33,950
Sales and use taxes	265,500	265,500	304,103	38,603
Transient occupancy taxes	180,000	180,000	324,351	144,351
Franchise and other licenses	43,000	43,000	44,609	1,609
Licenses and permits	58,800	58,800	90,602	31,802
Intergovernmental revenues	308,292	344,577	570,539	225,962
Coronavirus fiscal recovery funds	1	187,071	187,071	-
Charges for services	129,500	294,500	304,603	10,103
Fines, forfeitures and penalties	6,600	6,600	43,607	37,007
Use of money and property	2,050	2,050	12,735	10,685
Interest from leases	-	-	59,422	59,422
Lease revenue	93,892	93,892	59,910	(33,982)
Other	212,062	212,062	104,867	(107,195)
Total Revenues	1,608,197	1,996,552	2,448,869	452,317
EXPENDITURES				
Current:				
City council	19,600	58,100	7,692	50,408
City administrator	69,080	70,580	56,024	14,556
City clerk	41,505	42,005	39,562	2,443
City attorney	29,000	29,000	14,666	14,334
Planning	116,755	126,755	122,838	3,917
Finance and administration	174,630	174,630	98,673	75,957
Police protection	416,000	416,000	414,041	1,959
Code enforcement and animal regulation	112,343	118,343	124,418	(6,075)
Fire protection	296,544	396,544	397,536	(992)
Streets and roads	150,650	150,650	92,569	58,081
Buildings and grounds	171,980	171,980	108,580	63,400
Community and economic development	65,158	254,229	93,450	160,779
Bad debt expense	-	-	1,054	(1,054)
Capital outlay	27,502	27,502	353,887	(326,385)
Total Expenditures	1,690,747	2,036,318	1,924,990	111,328
Excess of Revenues Over (Under) Expenditures	(82,550)	(39,766)	523,879	563,645
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	5,550	5,550
Operating transfers in (out)	11,000	11,000	(9,140)	(20,140)
Total Other Financing Sources (Uses)	11,000	11,000	(3,590)	(14,590)
Change in Fund Balance	\$ (71,550)	\$ (28,766)	\$ 520,289	\$ 549,055

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Budgetary Comparison Schedule
Community Development Block Grant Fund
For The Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ -	\$ 250,000	\$ 1,513	\$ (248,487)
Coronavirus Round 1 Microenterprise assistance	-	200,000	280,092	80,092
Coronavirus Round 2 Microenterprise assistance	-	-	5,968	5,968
Use of money and property	11,000	11,000	8,653	(2,347)
Total Revenues	11,000	461,000	296,226	(164,774)
EXPENDITURES				
Current:				
Community and economic development	1,117	451,117	349,541	101,576
Total Expenditures	1,117	451,117	349,541	101,576
Excess of Revenues Over (Under) Expenditures	9,883	9,883	(53,315)	(63,198)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(9,883)	(9,883)	254,703	264,586
Total Other Financing Sources (Uses)	(9,883)	(9,883)	254,703	264,586
Change in Fund Balance	\$ -	\$ -	\$ 201,388	\$ 201,388

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2022
Last 10 Years

SCHEDULE OF THE LOCAL GOVERNMENT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COMBINED PLANS

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018	2019	2020	2021
Plan's proportion of the net pension liability	0.01178%	0.01159%	0.01217%	0.01229%	0.01256%	0.01285%	0.01307%	0.01307%
Plan's proportionate share of the net pension liability	\$732,939	\$795,680	\$1,053,116	\$1,219,219	\$1,210,387	\$1,316,847	\$1,421,914	\$874,413
Plan's covered payroll	\$466,885	\$437,788	\$502,299	\$590,235	\$597,588	\$628,636	\$693,731	\$724,108
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	156.98%	181.75%	209.66%	206.57%	202.55%	209.48%	204.97%	120.76%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	16.72%	17.83%	23.81%	26.11%	25.46%	25.89%	27.26%	15.98%
Plan's proportionate share of aggregate employer contributions ²	\$99,580	\$126,521	\$123,954	\$129,202	\$136,588	\$157,172	\$171,583	\$185,859

¹ GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

² The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions uses the plan's proportion of fiduciary net position multiplied by the total employer contribution amount as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period. GASB 68 does not require that we display this data for employers participating in cost-sharing plans, but we show it here because we use it in the calculation of the Plans' pension expense.

CITY OF DUNSMUIR
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2022
Last 10 Years

SCHEDULE OF LOCAL GOVERNMENT'S PLAN CONTRIBUTIONS
COMBINED PLANS

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution ²	\$ 47,001	\$ 42,711	\$ 63,629	\$ 80,031	\$ 104,863	\$ 124,196	\$ 142,512	\$ 160,135
Contributions in relation to the actuarially determined contribution	47,001	42,711	63,660	80,035	104,863	124,196	142,512	160,135
Contribution deficiency (excess)	\$ -	\$ -	\$ (31)	\$ (4)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$466,885	\$437,788	\$502,299	\$590,235	\$597,588	\$628,636	\$693,731	\$724,108
Contributions as a percentage of covered-employee payroll	10.07%	9.76%	12.67%	13.56%	17.55%	19.76%	20.54%	22.11%

¹ GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

² GASB 68 assumes that employers contribute an amount equal to the actuarially determined contribution. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contribution. CalPERS determined that employer obligations referred to as "side funds" do not conform to the circumstances described in the paragraph 120 of GASB 68, therefore CalPERS does not consider them separately financed specific liabilities.

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific period (also known as "Golden Handshakes"). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Change in Assumptions: There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF DUNSMUIR
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue Funds						So. Dunsmuir Sewer Assessment Fund	Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund			
ASSETS								
Cash	\$ 29,386	\$ 14,059	\$ 12,056	\$ 40,197	\$ -	\$ -	\$ -	\$ 95,698
Receivables (net of allowance for doubtful accounts, where applicable):								
Intergovernmental and other	48,258	3,712	-	6,487	-	-	2,071	60,528
Total Assets	\$ 77,644	\$ 17,771	\$ 12,056	\$ 46,684	\$ -	\$ -	2,071	\$ 156,226
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 3,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,207
Total Liabilities	-	3,207	-	-	-	-	-	3,207
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue - unavailable	48,258	-	-	-	-	-	-	48,258
Fund Balances								
Restricted for:								
Streets and roads	29,386	14,564	12,056	-	-	-	2,071	58,077
Public safety	-	-	-	46,684	-	-	-	46,684
Total Restricted	29,386	14,564	12,056	46,684	-	-	2,071	104,761
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	29,386	14,564	12,056	46,684	-	-	2,071	104,761
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 77,644	\$ 17,771	\$ 12,056	\$ 46,684	\$ -	\$ -	2,071	\$ 156,226

The accompanying notes are an integral part of these financial statements.

CITY OF DUNSMUIR
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2022

	Special Revenue						Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund	So. Dunsmuir Sewer Assessment Fund	
REVENUES							
Assessments	\$ -	\$ -	\$ -	\$ 27,303	\$ -	\$ 8,035	\$ 35,338
Intergovernmental revenues	43,461	66,582	33,163	-	-	-	143,206
Use of money and property	-	-	-	23	-	-	23
Other	-	3,566	-	-	-	-	3,566
Total Revenues	43,461	70,148	33,163	27,326	-	8,035	182,133
EXPENDITURES							
Current:							
Fire protection	-	-	-	9,522	-	-	9,522
Streets and roads	1,966	64,476	26,579	-	-	872	93,893
Transit assistance	43,461	-	-	-	-	-	43,461
Capital outlay	-	1,458	-	-	-	-	1,458
Debt service:							
Principal	-	-	-	-	-	5,000	5,000
Interest	-	-	-	-	-	4,110	4,110
Total Expenditures	45,427	65,934	26,579	9,522	-	9,982	157,444
Excess of Revenues Over (Under) Expenditures	(1,966)	4,214	6,584	17,804	-	(1,947)	24,689
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	-	9,140	-	-	(254,703)	8,689	(236,874)
Total Other Financing Sources (Uses)	-	9,140	-	-	(254,703)	8,689	(236,874)
Changes in Fund Balance	(1,966)	13,354	6,584	17,804	(254,703)	6,742	(212,185)
FUND BALANCE							
Beginning of Year	31,352	1,210	5,472	28,880	254,703	(4,671)	316,946
End of Year	\$ 29,386	\$ 14,564	\$ 12,056	\$ 46,684	\$ -	\$ 2,071	\$ 104,761

The accompanying notes are an integral part of these financial statements.

SINGLE AUDIT AND OTHER SCHEDULES AND REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council and
Those Charged with Governance
City of Dunsmuir, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dunsmuir as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Dunsmuir, California's basic financial statements, and have issued my report thereon dated June 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Dunsmuir, California's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dunsmuir, California's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Dunsmuir, California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item **2022-001** that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dunsmuir, California's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT (Continued)

City of Dunsmuir, California's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Dunsmuir, California's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. City of Dunsmuir, California's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Charles W. Pilon, CPA". The signature is stylized and includes the letters "CPA" at the end.

Charles W. Pilon, CPA
Anderson, California

June 26, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

To the City Council and
Those Charged with Governance
City of Dunsmuir, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the City of Dunsmuir, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Dunsmuir, California's major federal programs for the year ended June 30, 2022. The City of Dunsmuir, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, City of Dunsmuir, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Dunsmuir, California's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Dunsmuir, California's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Dunsmuir, California's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

INDEPENDENT AUDITOR'S REPORT (Continued)

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Dunsmuir, California's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of City of Dunsmuir, California's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Dunsmuir, California's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I did identify certain deficiencies in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2022-002** to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Dunsmuir, California's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. City of Dunsmuir, California's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles W. Pillon, CPA
Anderson, California

June 26, 2023

CITY OF DUNSMUIR
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title	ALN	Pass-through Grantor and Number	Passed-through to Subrecipients (\$)	Federal Expenditures(\$)
Highway Planning and Construction Cluster-Cluster				
Department of Transportation				
Highway Planning and Construction				
		California Department of Transportation		
Highway Planning and Construction	20.205	0218000085L-N	\$	209,219
Total Highway Planning and Construction			\$0	209,219
Total Department of Transportation				209,219
Total Highway Planning and Construction Cluster-Cluster				
Other Programs				
Department of Transportation				
Airport Improvement Program and COVID-19 Airports Programs				
Airport Improvement Program - Runway Reconstruction	20.106			257,886
Airport Improvement Program - Northend Taxiway/Apron Grant	20.106			122,774
Total Airport Improvement Program and COVID-19 Airports Programs			0	380,660
Total Department of Transportation				380,660
Department of Housing and Urban Development				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
		State of California Department of Housing and Community Development		
Siskiyou Microenterprise Coronavirus Relief	14.228	20-CDBG-CV1-00120		340,516
		State of California Department of Housing and Community Development		
Siskiyou Microenterprise Assistance Coronavirus Relief	14.228	20-CDBG-CV2.3-00050		6,102
		State of California Department of Housing and Community Development		
Economic Development Micro Enterprise Assistance	14.228	20-CDBG-12088		1,880
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			66,913	348,498
Total Department of Housing and Urban Development				348,498
Department of the Treasury				
Coronavirus State and Local Fiscal Recovery Funds				
Coronavirus State and Local Fiscal Recovery Funds	21.027	State of California NOT AVAILABLE		187,071
Total Coronavirus State and Local Fiscal Recovery Funds			0	187,071
Total Department of the Treasury				535,569
United States Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities				
Water Mainline Replacement Project	10.760			3,919,970
Total Water and Waste Disposal Systems for Rural Communities			0	3,919,970
Total United States Department of Agriculture				3,919,970
Total Other Programs				
Total Expenditures of Federal Awards				
			\$ 66,913	\$ 5,045,418

The accompanying notes are an integral part of this schedule

City of Dunsmuir
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Dunsmuir (the City) under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial net position or changes in net position of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, when applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Also, when applicable, recognition is following the Uniform Guidance for federal awards granted after December 26, 2014.

2. Pass-through entity identifying numbers are presented where available.

NOTE C—SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided \$66,913 of the federal awards to subrecipients.

NOTE D—INDIRECT COST RATE

The City did not elect to use the 10% de Minimis indirect cost rate on the federal awards presented in this schedule.

NOTE E—LOAN BALANCE

During the fiscal year, the Federal award program from the United States Department of Agriculture (USDA), titled "Water and Waste Disposal Systems for Rural Communities" (10.760), for the construction of the Water Mainline Replacement Project, continued with Federal funding in the form of interim construction loan financing that is considered to be Federal loan financing as it is guaranteed and will be paid off by the RD/RUS USDA loan financing at the completion of construction (See Note 7). The balance of the loan at the end of audit period, June 30, 2022, drawn to fund the USDA Federal program expenditures, is \$6,131,070. The total Federal expenditures reported on the Schedule is \$3,919,970 and the current year loan increase is \$3,447,519.

City of Dunsmuir
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The Independent Auditor's Report expressed an unmodified opinion on whether the financial statements of the City of Dunsmuir (City), were prepared in accordance with GAAP.
2. A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were identified which would be required to be reported in accordance with *Government Auditing Standards*.

Federal Awards

1. The Independent Auditor's Report on compliance over major Federal award programs expressed an unmodified opinion on all major Federal award programs.
2. A material weakness was identified in internal control over compliance for the major Federal award programs reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*.
3. Material weakness in internal control over major programs is reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
4. Identification of the major Federal program:
 - **United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA No. 10.760**
5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
6. The City did not qualify as a low-risk auditee under **2 CFR section 200.520**.

FINDINGS – FINANCIAL STATEMENT AUDIT

2022–001 Material Weakness

Material Audit Adjustments and Lack of Effective Internal Control over Financial Close and Reporting

Condition: During the audit of the year ended June 30, 2022, I identified and posted numerous (22) audit adjustments as part of my audit to correct material misstatements. These were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles (GAAP). In addition, the City relied on the external auditor to ensure its financial statements are in accordance with GAAP and to ensure that all necessary disclosures are included in the notes to the financial statements and the notes to the SEFA.

Criteria: In accordance with *Statement on Auditing Standards No. 122c*, external auditors cannot be part of an entity's internal controls over the preparation of the financial statements and are prohibited from auditing their own work, which could impair independence. All City financial documents should be final and reconciled before the audit begins. All adjustments necessary for the financial statements to be prepared in accordance and/or conformity with GAAP should be identified and posted by the City.

Cause: The Finance Director did not identify and post numerous material closing entries for the year under audit. These adjustments were not identified by the Finance Director because of ineffective internal controls over the financial close process.

Effect: Financial statements, which are not in conformity with GAAP and contained material misstatements, could have been prepared and distributed. Interim reporting to City Council and interested third parties could contain material misstatements leading to inaccurate decisions impacting the City. **There are no questioned costs related to this finding.**

City of Dunsmuir
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001 (continued)

Context: This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018 through 2021, and is considered pervasive.

Recommendation: I recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in accordance with GAAP be identified and posted prior to the start of the audit. The City should ensure that the Finance Director has ample time and resources to adequately perform the year-end financial close and reporting process to ensure the City's financial statements are not materially misstated. Lastly, since the City is now using a qualified CPA (i.e. pre-auditor) to assist the Finance Director with the year-end close process and assist with preparing the GAAP financial statements at year-end, I recommend that there be better coordination of respective duties between the Finance Director and the pre-auditor, design procedures to streamline the pre-audit process to make it more efficient and effective, and more time be given to the extensive process of preparing for the audit.

Views of Responsible Officials: The City agrees with the finding.

SINGLE AUDIT

2022-002 Material Weakness in Internal Controls over Compliance: Cost Principles

United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, ALN 10.760 - Year ended June 30, 2022

Condition: The City does not have written policies and procedures for compliance over Federal award programs approved by City Council.

Criteria: Under *Uniform Guidance* cost principles, all grantees who receive Federal funds must have "specific" written policies and procedures for compliance over Federal award programs for all 12 compliance requirements found in the *Uniform Guidance*, especially compliance requirements such as cash management, procurement, suspension and debarment, reporting, activities allowed and allowable costs, since these are the most direct and material to construction-type and CDBG programs.

Cause: During the last fiscal year the City has worked towards codifying their policies and procedures for compliance over the Federal compliance requirements for all Federal award programs, however, it has not had these formally approved by City Council.

Effect: Without effectively written and communicated policies and procedures the City will be in noncompliance in the operation of Federal programs and employees might not have the direction necessary to stay in compliance with all Federal compliance requirements when working on or managing Federal award programs.

Context: This is a repeat finding of 2021-002 for this Federal program. **There are no questioned costs related to this finding.**

Recommendation: The City should get the City Council approval of the written policies and procedures for compliance over Federal award programs, distribute them to the appropriate City staff and provide training on the new policies and procedures.

Views of responsible officials: The City agrees with the finding.

**City of Dunsmuir
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

Summary of Prior Audit Findings

Financial Statement Audit

2021-001 Material Audit Adjustments and Lack of Effective Internal Control over Financial Close and Reporting

Status: As noted in the current year finding, **2022-001**, this finding has not been fully and effectively implemented.

The City has implemented the following:

- The City contracted with a qualified outside CPA to assist with the year-end close and reporting process in order to reduce the number of material misstatements and present fairly stated financial statements
- The Finance Director received training during the fiscal year
- The schedule of federal expenditures was prepared in accordance with Uniform Guidance and was fairly stated as presented to the auditor for the annual audit

The following actions are in the process of being implemented:

- Design procedures and effective communication channels to streamline the pre-audit process and ensure it is more effective
- Ensure more time is given to the audit preparation process

Single Audit

2021-002 United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, ALN 10.760, and 2021-003 United States Department of Transportation, Airport Improvement Program and COVID-19 Airports Programs, ALN 20.106

Material Weakness in Internal Control over Compliance: Cost Principles

Status: As noted in the current year finding, **2022-002**, this finding is partially corrected.

The corrective action plan anticipated that the Finance Director would have written policies and procedures for all 12 compliance requirements by June 30, 2023 and they will be communicated to City personnel.

The City has implemented the following:

- Develop a draft of the policies and procedures for all 12 compliance requirements

The following actions are in the process of being implemented:

- City Council approval of the final policies and procedures
- Distribute policies and procedures
- Train staff on the new policies and procedures



CORRECTIVE ACTION PLAN

Year ended 6/30/22

Finding: 2022-001

Agency: City of Dunsmuir

Responsible person name/title: Blake Michaelsen, Finance Director

Anticipated completion date: 06/30/2023

Agency's response: Concur

Corrective action plan: The City's Finance Director will work diligently to reduce material adjustments for the 6/30/2023 audit, will continue to work with the contract CPA to assist with the financial close and reporting process, and develop procedures to make the process more effective and efficient.

Finding: 2022-002

Agency: City of Dunsmuir

Responsible person name/title: Blake Michaelsen, Finance Director

Anticipated completion date: 06/30/2024

Agency's response: Concur

Corrective action plan: The City's Finance Director will submit the written policies and procedures for all 12 compliance requirements found in the *Uniform Guidance* to City Council for approval and codification. The policies and procedures will be distributed to City staff and staff will be trained on the new policies and procedures.