

**CITY OF DUNSMUIR, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**and**  
**SINGLE AUDIT REPORTS**  
**For the Year Ended JUNE 30, 2021**

**City of Dunsmuir, California**  
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**June 30, 2021**

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# INDEPENDENT AUDITOR'S REPORT

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

## ***Report on the Financial Statements***

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 City of Dunsmuir, California as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

## ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

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, 2021, 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Other Matters**

#### *Required Supplementary Information (Unaudited)*

Accounting principles generally accepted in the United States of America require the *Management's Discussion and Analysis* (not presented), budgetary comparison information on pages 34 and 35 and cost-sharing multiple employer defined benefit pension plan information on pages 36 and 37 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.

#### *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, 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. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunsmuir's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements on pages 38 and 39, and the schedule of expenditures of federal awards on page 44, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 non-major 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13 2022, on my consideration of the City of Dunsmuir, California's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 13, 2022

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DUNSMUIR**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and investments	\$ 968,337	\$ 1,541,939	\$ 2,510,276
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	4,197	48,583	52,780
Loans	908,909	-	908,909
Intergovernmental	391,553	597,748	989,301
Internal balances	195,370	(195,370)	-
Other assets	1,552	-	1,552
Restricted cash and investments	-	171,861	171,861
Capital assets:			
Non-depreciable	1,151,800	9,971,387	11,123,187
Depreciable, net	2,169,110	12,177,549	14,346,659
Total capital assets, net	3,320,910	22,148,936	25,469,846
Total assets	5,790,828	24,313,697	30,104,525
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related deferred outflows	190,628	159,425	350,053
<b><u>LIABILITIES</u></b>			
Accounts payable	219,768	705,120	924,888
Accrued liabilities	7,457	4,530	11,987
Unearned revenue	10	4,527	4,537
Deposits	6,129	30,405	36,534
Long-term liabilities, due within one year:			
Notes payable and interest payable	5,000	162,271	167,271
Compensated absences	54,040	50,411	104,451
Due in more than one year:			
Notes payable	66,000	5,101,692	5,167,692
Compensated absences	1,870	43,457	45,327
Net pension liability	746,701	675,213	1,421,914
Total liabilities	1,106,975	6,777,626	7,884,601
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related deferred inflows	44,601	41,789	86,390
<b><u>NET POSITION</u></b>			
Net investment in capital assets	3,249,910	16,943,116	20,193,026
Restricted	151,069	171,861	322,930
Unrestricted	1,428,901	538,730	1,967,631
Total net position	\$ 4,829,880	\$ 17,653,707	\$22,483,587

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

**CITY OF DUNSMUIR**  
**Statement of Activities**  
**For The Year Ended June 30, 2021**

	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 363,450	\$ 112,859	\$ 209,884	\$ -	\$ (40,707)	\$ -	\$ (40,707)
Public safety	938,540	223,324	160,129	-	(555,087)	-	(555,087)
Streets and roads	555,482	-	147,034	143,569	(264,879)	-	(264,879)
Community and economic development	117,938	-	10,693	-	(107,245)	-	(107,245)
Total governmental activities	<u>1,975,410</u>	<u>336,183</u>	<u>527,740</u>	<u>143,569</u>	<u>(967,918)</u>	<u>-</u>	<u>(967,918)</u>
Business-type activities:							
Sewer	1,143,861	849,578	-	6,778	-	(287,505)	(287,505)
Solid waste	407,218	356,165	5,000	-	-	(46,053)	(46,053)
Water	736,872	948,759	-	395,677	-	607,564	607,564
Airport	113,608	30,411	72,241	2,315,362	-	2,304,406	2,304,406
Total business-type activities	<u>2,401,559</u>	<u>2,184,913</u>	<u>77,241</u>	<u>2,717,817</u>	<u>-</u>	<u>2,578,412</u>	<u>2,578,412</u>
Total primary government	<u>\$ 4,376,969</u>	<u>\$ 2,521,096</u>	<u>\$ 604,981</u>	<u>\$ 2,861,386</u>	<u>(967,918)</u>	<u>2,578,412</u>	<u>1,610,494</u>
General revenues:							
Taxes:							
Property					310,852	-	310,852
Sales					294,972	-	294,972
Transient occupancy					274,327	-	274,327
Investment earnings					44,468	11,378	55,846
Other					109,700	-	109,700
Gain on sale of assets					38,487	1,000	39,487
Transfers in (out)					466	(466)	-
Extraordinary items					237,071	-	237,071
Total general revenues					<u>1,310,343</u>	<u>11,912</u>	<u>1,322,255</u>
Change in net position					<u>342,425</u>	<u>2,590,324</u>	<u>2,932,749</u>
Net position, beginning, as reported					4,487,455	15,032,066	19,519,521
Prior period adjustment					-	31,317	31,317
Net position, beginning, restated					<u>4,487,455</u>	<u>15,063,383</u>	<u>19,550,838</u>
Net position, ending					<u>\$ 4,829,880</u>	<u>\$ 17,653,707</u>	<u>\$ 22,483,587</u>

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, 2021**

	General Fund	Community Development Project Income Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 738,640	\$ 81,722	\$ 147,975	\$ 968,337
Receivables, net of allowance				
Trade	4,197	-	-	4,197
Loans	-	739,572	169,337	908,909
Intergovernmental	355,491	-	36,062	391,553
Due from other funds	201,901	-	-	201,901
Prepaid expenses	1,552	-	-	1,552
<b>Total assets</b>	<u><u>\$1,301,781</u></u>	<u><u>\$ 821,294</u></u>	<u><u>\$ 353,374</u></u>	<u><u>\$ 2,476,449</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 189,870	\$ -	\$ 29,898	\$ 219,768
Accrued liabilities	7,457	-	-	7,457
Due to other funds	-	-	6,531	6,531
Unearned revenue	10	-	-	10
Deposits	6,129	-	-	6,129
<b>Total liabilities</b>	<u>203,466</u>	<u>-</u>	<u>36,429</u>	<u>239,895</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	1,552	-	-	1,552
Noncurrent receivables	-	739,572	169,337	908,909
<b>Total</b>	<u>1,552</u>	<u>739,572</u>	<u>169,337</u>	<u>910,461</u>
Restricted for:				
Streets and roads	-	-	36,823	36,823
Public safety	-	-	28,880	28,880
Community and economic development	-	-	85,366	85,366
<b>Total</b>	<u>-</u>	<u>-</u>	<u>151,069</u>	<u>151,069</u>
Unassigned balance (deficit)	1,096,763	81,722	(3,461)	1,175,024
<b>Total fund balance</b>	<u>1,098,315</u>	<u>821,294</u>	<u>316,945</u>	<u>2,236,554</u>
<b>Total liabilities and fund balance</b>	<u><u>\$1,301,781</u></u>	<u><u>\$ 821,294</u></u>	<u><u>\$ 353,374</u></u>	<u><u>\$ 2,476,449</u></u>
<b>Total governmental fund balance, as above</b>				<b>\$ 2,236,554</b>
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				3,320,910
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(71,000)
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet				(746,701)
Compensated absences in governmental activities are not due and payable in the current period and therefore are not reported in the balance sheet				(55,910)
Deferred outflows and inflows are not receivable or due and payable in the current period and therefore are not reported on the balance sheet				146,027
<b>Net position of governmental activities</b>				<u><u>\$ 4,829,880</u></u>

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, 2021**

	General Fund	Community Development Project Income Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 310,852	\$ -	\$ -	\$ 310,852
Sales and use taxes	294,972	-	-	294,972
Transient occupancy taxes	274,327	-	-	274,327
Franchises	37,719	-	-	37,719
Assessments	-	-	37,354	37,354
Licenses and permits	54,034	-	-	54,034
Intergovernmental revenues	513,581	-	157,728	671,309
Charges for services	197,302	-	-	197,302
Fines, forfeitures and penalties	9,774	-	-	9,774
Use of money and property	30,284	7,207	6,977	44,468
Other	109,700	-	-	109,700
<b>Total revenues</b>	<b>1,832,545</b>	<b>7,207</b>	<b>202,059</b>	<b>2,041,811</b>
<b>EXPENDITURES</b>				
Current:				
City council	6,787	-	-	6,787
City administrator	21,722	-	-	21,722
City clerk	37,733	-	-	37,733
City attorney	9,918	-	-	9,918
Planning	127,111	-	-	127,111
Finance and administration	90,720	-	-	90,720
Police protection	414,626	-	-	414,626
Code enforcement and animal regulation	118,082	-	-	118,082
Fire protection	331,580	-	6,970	338,550
Streets and roads	115,521	-	115,580	231,101
Transit assistance	-	-	41,277	41,277
Buildings and grounds	136,268	-	-	136,268
Community and economic development	52,147	316	26,788	79,251
Capital outlay	140,322	-	101,903	242,225
Bad debt expense	-	-	38,687	38,687
Debt service:				
Principal	-	-	5,000	5,000
Interest	-	-	4,410	4,410
<b>Total expenditures</b>	<b>1,602,537</b>	<b>316</b>	<b>340,615</b>	<b>1,943,468</b>
<b>Excess of revenues over (under) expenditures</b>	<b>230,008</b>	<b>6,891</b>	<b>(138,556)</b>	<b>98,343</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	8,500	-	60,000	68,500
Operating transfers in (out)	71,365	(36,407)	(34,492)	466
<b>Total other financing sources (uses)</b>	<b>79,865</b>	<b>(36,407)</b>	<b>25,508</b>	<b>68,966</b>
<b>EXTRAORDINARY ITEMS</b>				
CARES Act relief funds	50,000	-	-	50,000
Coronavirus fiscal recovery funds	187,071	-	-	187,071
<b>Total extraordinary items</b>	<b>237,071</b>	<b>-</b>	<b>-</b>	<b>237,071</b>
<b>Changes in fund balances</b>	<b>546,944</b>	<b>(29,516)</b>	<b>(113,048)</b>	<b>404,380</b>
<b>FUND BALANCE</b>				
Beginning of year	551,371	850,810	429,993	1,832,174
End of year	<b>\$1,098,315</b>	<b>\$ 821,294</b>	<b>\$ 316,945</b>	<b>\$ 2,236,554</b>

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, 2021**

Change in fund balance, governmental funds	\$ 404,380
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	239,008
Depreciation expense	(259,621)
Governmental funds report gross proceeds from sales of capital assets as revenues. However, in the Statement of Activities, the net book value of those assets are reported against the gross proceeds	
	(30,013)
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	
	4,129
Government funds do not report the decrease of unfunded pension obligations revenue or (expenditure), but it is reported in the Statement of Activities	
	<u>(20,458)</u>
Change in net position of governmental activities	<u><u>\$ 342,425</u></u>

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

**CITY OF DUNSMUIR**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 97,316	\$ 108,620	\$ 1,335,843	\$ 160	\$ 1,541,939
Receivables (net of allowances for bad debts, where applicable):					
Trade accounts	26,685	11,809	10,089	-	48,583
Intergovernmental	-	-	393,693	204,055	597,748
Due from other funds	6,123	-	-	-	6,123
Restricted cash and investments	140,392	-	31,469	-	171,861
Capital assets:					
Non-depreciable	1,126,181	-	4,890,947	3,954,259	9,971,387
Depreciable, net	7,441,986	-	4,306,646	428,917	12,177,549
Total capital assets, net	<u>8,568,167</u>	<u>-</u>	<u>9,197,593</u>	<u>4,383,176</u>	<u>22,148,936</u>
Total assets	<u>8,838,683</u>	<u>120,429</u>	<u>10,968,687</u>	<u>4,587,391</u>	<u>24,515,190</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	<u>81,789</u>	<u>26,890</u>	<u>49,079</u>	<u>1,667</u>	<u>159,425</u>
<b>LIABILITIES</b>					
Accounts payable	23,479	22,619	612,535	46,487	705,120
Accrued liabilities	2,197	517	1,637	179	4,530
Unearned revenue	2,175	-	-	2,352	4,527
Deposits	426	-	29,579	400	30,405
Due to other funds	-	-	5,000	196,493	201,493
Long-term liabilities, due within one year:					
Notes payable and interest payable	137,398	-	23,051	1,822	162,271
Compensated absences	21,066	5,201	21,907	2,237	50,411
Due in more than one year:					
Notes payable	2,074,663	-	3,001,551	25,478	5,101,692
Compensated absences	31,904	43	11,510	-	43,457
Net pension liability	<u>346,402</u>	<u>113,886</u>	<u>207,865</u>	<u>7,060</u>	<u>675,213</u>
Total liabilities	<u>2,639,710</u>	<u>142,266</u>	<u>3,914,635</u>	<u>282,508</u>	<u>6,979,119</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	<u>21,439</u>	<u>7,048</u>	<u>12,865</u>	<u>437</u>	<u>41,789</u>
<b>NET POSITION</b>					
Net investment in capital assets	6,381,898	-	6,178,042	4,383,176	16,943,116
Restricted for debt service	140,392	-	31,469	-	171,861
Unrestricted	<u>(262,967)</u>	<u>(1,995)</u>	<u>880,755</u>	<u>(77,063)</u>	<u>538,730</u>
Total net position	<u>\$ 6,259,323</u>	<u>\$ (1,995)</u>	<u>\$ 7,090,266</u>	<u>\$ 4,306,113</u>	<u>\$ 17,653,707</u>

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, 2021**

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
<b>REVENUES</b>					
User fees and charges	\$ 849,578	\$ 356,165	\$ 948,759	\$ -	\$ 2,154,502
Facilities rent	-	-	-	30,411	30,411
Total operating revenues	<u>849,578</u>	<u>356,165</u>	<u>948,759</u>	<u>30,411</u>	<u>2,184,913</u>
<b>OPERATING EXPENSES</b>					
Cost of power and water	52,281	-	13,864	1,977	68,122
Maintenance, operations, and administration	731,342	407,218	526,048	49,726	1,714,334
Depreciation and amortization	296,801	-	173,587	59,527	529,915
Bad debt expense	-	-	-	-	-
Total operating expenses	<u>1,080,424</u>	<u>407,218</u>	<u>713,499</u>	<u>111,230</u>	<u>2,312,371</u>
Operating income (loss)	<u>(230,846)</u>	<u>(51,053)</u>	<u>235,260</u>	<u>(80,819)</u>	<u>(127,458)</u>
<b>OTHER REVENUES (EXPENSES)</b>					
Intergovernmental revenues	6,778	5,000	395,677	2,387,603	2,795,058
Interest earned	2,026	710	8,642	-	11,378
Interest expense	(63,437)	-	(23,373)	(2,378)	(89,188)
Gain on sale of assets	-	-	1,000	-	1,000
Total other revenues (expenses)	<u>(54,633)</u>	<u>5,710</u>	<u>381,946</u>	<u>2,385,225</u>	<u>2,718,248</u>
Net income (loss) before transfers	<u>(285,479)</u>	<u>(45,343)</u>	<u>617,206</u>	<u>2,304,406</u>	<u>2,590,790</u>
<b>TRANSFERS</b>					
Transfers in (out)	<u>(466)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(466)</u>
Change in net position	<u>(285,945)</u>	<u>(45,343)</u>	<u>617,206</u>	<u>2,304,406</u>	<u>2,590,324</u>
<b>NET POSITION</b>					
Beginning of the year, as reported	6,545,268	43,348	6,441,743	2,001,707	15,032,066
Prior period adjustment	-	-	31,317	-	31,317
Beginning of the year, restated	<u>6,545,268</u>	<u>43,348</u>	<u>6,473,060</u>	<u>2,001,707</u>	<u>15,063,383</u>
End of the year	<u>\$ 6,259,323</u>	<u>\$ (1,995)</u>	<u>\$ 7,090,266</u>	<u>\$ 4,306,113</u>	<u>\$ 17,653,707</u>

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, 2021**

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 844,313	\$ 352,849	\$ 941,694	\$ 36,573	\$ 2,175,429
Payments to suppliers	(422,938)	(319,754)	(239,425)	(39,609)	(1,021,726)
Payments to employees	(327,929)	(71,159)	(323,683)	(22,930)	(745,701)
Net cash provided (used) by operating activities	93,446	(38,064)	378,586	(25,966)	408,002
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Receipt of intergovernmental revenue	-	5,000	-	34,950	39,950
Principal payments on debt	-	-	-	(1,781)	(1,781)
Interest payments on debt	-	-	-	(2,378)	(2,378)
Interfund transfers and repayments	(466)	-	-	106,037	105,571
Net cash provided (used) by non-capital financing activities	(466)	5,000	-	136,828	141,362
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>					
Receipt of intergovernmental revenues used for capital asset purchases	15,681	-	3,273	2,157,744	2,176,698
Purchase of capital assets	(14,681)	-	(3,008,239)	(2,269,032)	(5,291,952)
Proceeds from sale of capital assets	-	-	1,000	-	1,000
Proceeds from capital debt	-	-	2,683,550	-	2,683,550
Principal payments on debt	(109,163)	-	(32,344)	-	(141,507)
Interest payments on debt	(64,851)	-	(21,329)	-	(86,180)
Net cash (used) by investing activities	(173,014)	-	(374,089)	(111,288)	(658,391)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income received	2,026	710	8,642	-	11,378
Net increase (decrease) in cash	(78,008)	(32,354)	13,139	(426)	(97,649)
<b>CASH</b>					
Beginning of the year	315,716	140,974	1,354,173	586	1,811,449
End of the year	\$ 237,708	\$ 108,620	\$ 1,367,312	\$ 160	\$ 1,713,800
<u>Comprised of:</u>					
Cash and investments	\$ 97,316	\$ 108,620	\$ 1,335,843	\$ 160	\$ 1,541,939
Restricted cash and investments	140,392	-	31,469	-	171,861
Total cash and cash investments	\$ 237,708	\$ 108,620	\$ 1,367,312	\$ 160	\$ 1,713,800
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ (230,846)	\$ (51,053)	\$ 235,260	\$ (80,819)	\$ (127,458)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	296,801	-	173,587	59,527	529,915
(Increase) decrease in accounts receivable, net	(5,691)	(3,316)	525	11,376	2,894
(Increase) in deferred outflows of resources related to pensions	2	1	2	-	5
Increase (decrease) in accounts payable	(10,337)	11,578	(10,453)	(11,050)	(20,262)
Increase (decrease) in compensated absences	29,513	204	(23,750)	127	6,094
(Decrease) in deposits and other liabilities	(4,335)	(1,507)	(7,590)	(287)	(13,719)
(Decrease) in unearned revenue	-	-	-	(5,214)	(5,214)
Increase in net pension liability	30,042	9,877	18,027	612	58,558
(Decrease) in deferred inflows of resources related to pensions	(11,703)	(3,848)	(7,022)	(238)	(22,811)
Net cash provided (used) by operating activities	\$ 93,446	\$ (38,064)	\$ 378,586	\$ (25,966)	\$ 408,002
<u>Note regarding operating activities:</u>					
The respective change in accounts payable does not reflect the purchase of capital assets	\$ -	\$ -	\$ 299,394	\$ 46,329	\$ 345,723

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

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**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, 2021**

**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 Project Income Fund accounts for the financing of home rehabilitation, 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, 2021**

**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.

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, 2021**

**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 90 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 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, 2021**

**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, as defined below, of \$5,000 or more 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, 2021**

**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.

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, 2021**

**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, 2021.
  
- 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, 2021.
  
- 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, 2021**

**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

In June 2017, the **GASB issued Statement No. 87, Leases**. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The original effective date of this Statement was for reporting periods beginning after December 15, 2019, with early adoption permitted, however, due to the recent impact of the pandemic related to COVID-19, the effective date has been extended to periods beginning after June 30, 2021, **effectively July 1, 2021**.

Effective with 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.

**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, 2021 are classified in the accompanying financial statements as follows:

<b>Statement of Net Position:</b>	
Current cash and investments	\$ 2,510,276
Restricted cash and investments	171,861
	<b>\$ 2,682,137</b>
<b>Consisting of the following:</b>	
Cash on hand	\$ 350
Deposits with financial institutions	1,609,832
Investments in LAIF	1,071,955
	<b>\$ 2,682,137</b>

**City of Dunsmuir  
Notes to the Basic Financial Statements  
June 30, 2021**

**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.

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Local Agency Investment Fund	<u>\$1,071,955</u>	<u>\$1,071,955</u>	291-day average

Disclosure Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of 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 \$1,629,848, 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 \$1,437,971 because of deposits in transit offset by outstanding checks.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**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 LOANS RECEIVABLE**

The following is the composition of loans receivable at June 30, 2021:

	<b>Community Development Project Income Fund</b>	<b>EDBG Fund</b>	<b>Total</b>
Loans receivables	\$ 860,342	\$ 238,434	\$ 1,098,776
Less: allowance for bad debt	(120,770)	(69,097)	(189,867)
<b>Loans receivable, net</b>	<b>\$ 739,572</b>	<b>\$ 169,337</b>	<b>\$ 908,909</b>

There are no related party loan balances at June 30, 2021.

**NOTE 5 INTERFUND BALANCES AND OPERATING TRANSFERS**

The following is a summary of the interfund balances at June 30, 2021:

	<b>Due from Other funds</b>	<b>Due to Other Funds</b>	<b>Net Due to/from Other Funds</b>
<b>Governmental Activities</b>			
General Fund	\$ 201,901	\$ -	\$ 201,901
Non-major governmental funds	-	6,531	(6,531)
<b>Total Governmental Activities</b>	<b>201,901</b>	<b>6,531</b>	<b>195,370</b>
<b>Business-type Activities</b>			
Airport Fund	\$ -	\$ 196,493	\$ (196,493)
Sewer Fund	6,123	-	6,123
Water Fund	-	5,000	(5,000)
<b>Total Business-type Activities</b>	<b>\$ 6,123</b>	<b>\$ 201,493</b>	<b>\$ (195,370)</b>
<b>Total Government Wide Statement</b>	<b>\$ 208,024</b>	<b>\$ 208,024</b>	<b>\$ -</b>



**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 5 INTERFUND BALANCES AND OPERATING TRANSFERS (continued)**

The above amounts are to cover 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 \$1,700 of accrued interest, and will be repaid through future positive cash flows or operating grants.

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

	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net Transfers In (Out)</b>
<b>Governmental Activities</b>			
General Fund	\$ 101,491	\$ 30,126	\$ 71,365
Community Development Project Income Fund	-	36,407	(36,407)
Non-major governmental funds	30,592	65,084	(34,492)
<b>Total Governmental Activities</b>	<b>132,083</b>	<b>131,617</b>	<b>466</b>
<b>Business-type Activities</b>			
Sewer Fund	-	466	(466)
<b>Total Business-type Activities</b>	<b>-</b>	<b>466</b>	<b>(466)</b>
<b>Total Government Wide Statement</b>	<b>\$ 132,083</b>	<b>\$ 132,083</b>	<b>\$ -</b>

The operating transfers to non-major governmental funds were for operating expenditures. Transfers out of the Community Development Project Income Fund and the non-major Economic Development Fund were to transfer de-federalized program income receipts from prior fiscal years to the General Fund for general operations.

**NOTE 6 CAPITAL ASSETS**

Depreciation expense was charged to functions/programs for the year ended June 30, 2021, as follows:

<b>Governmental Activities:</b>	
General government	\$ 41,752
Public safety	62,967
Streets and roads	154,902
<b>Total Governmental Activities</b>	<b>\$ 259,621</b>
<b>Business-type Activities:</b>	
Sewer	\$ 296,801
Water	173,587
Airport	59,527
<b>Total Business-type Activities</b>	<b>\$ 529,915</b>

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
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**NOTE 6 CAPITAL ASSETS (Continued)**

Changes in capital assets for the year ended June 30, 2021, are as follows:

	June 30, 2020	Additions/ Transfers	Retirements/ Transfers	June 30, 2021
<b>Governmental Activities:</b>				
<b>Nondepreciable capital assets</b>				
Land	\$ 1,151,800	\$ -	\$ -	\$ 1,151,800
Construction in progress	3,217	140,322	(3,217)	140,322
<b>Total nondepreciable capital assets</b>	<b>1,155,017</b>	<b>140,322</b>	<b>(3,217)</b>	<b>1,292,122</b>
<b>Capital assets being depreciated:</b>				
Buildings	2,115,720	-	-	2,115,720
Machinery and equipment	2,408,472	101,903	(62,525)	2,447,850
Infrastructure	3,266,225	-	-	3,266,225
<b>Total capital assets being depreciated</b>	<b>7,790,417</b>	<b>101,903</b>	<b>(62,525)</b>	<b>7,829,795</b>
<b>Less accumulated depreciation for:</b>				
Buildings	1,557,196	35,716	-	1,592,912
Machinery and equipment	1,629,755	67,113	(32,512)	1,664,356
Infrastructure	2,386,947	156,792	-	2,543,739
<b>Total accumulated depreciation</b>	<b>5,573,898</b>	<b>259,621</b>	<b>(32,512)</b>	<b>5,801,007</b>
<b>Total capital assets being depreciated, net</b>	<b>2,216,519</b>	<b>(157,718)</b>	<b>(30,013)</b>	<b>2,028,788</b>
<b>Subtotal, governmental activities, net</b>	<b>3,371,536</b>	<b>(17,396)</b>	<b>(33,230)</b>	<b>3,320,910</b>
	<b>Restated Note 16</b>			
<b>Business-type Activities:</b>				
<b>Nondepreciable capital assets</b>				
Land	1,741,070	-	-	1,741,070
Construction in progress	2,592,642	5,637,675	-	8,230,317
<b>Total nondepreciable capital assets</b>	<b>4,333,712</b>	<b>5,637,675</b>	<b>-</b>	<b>9,971,387</b>
<b>Capital assets being depreciated:</b>				
Utility plant	17,110,970	-	-	17,110,970
Buildings	240,866	-	-	240,866
Improvements not buildings	2,896,158	-	-	2,896,158
Machinery and equipment	1,266,947	-	-	1,266,947
<b>Total capital assets being depreciated</b>	<b>21,514,941</b>	<b>-</b>	<b>-</b>	<b>21,514,941</b>
<b>Less accumulated depreciation for:</b>				
Utility plant	5,356,323	419,927	-	5,776,250
Buildings	166,175	7,220	-	173,395
Improvements not buildings	2,226,152	69,286	-	2,295,438
Machinery and equipment	1,058,827	33,482	-	1,092,309
<b>Total accumulated depreciation</b>	<b>8,807,477</b>	<b>529,915</b>	<b>-</b>	<b>9,337,392</b>
<b>Total capital assets being depreciated, net</b>	<b>12,707,464</b>	<b>(529,915)</b>	<b>-</b>	<b>12,177,549</b>
<b>Subtotal, business-type activities, net</b>	<b>17,041,176</b>	<b>5,107,760</b>	<b>-</b>	<b>22,148,936</b>
<b>Total, government-wide capital assets, net</b>	<b>\$20,412,712</b>	<b>\$5,090,364</b>	<b>\$ (33,230)</b>	<b>\$25,469,846</b>

**City of Dunsmuir**  
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**NOTE 7 LONG TERM DEBT**

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Current Portion
<b>Governmental activities:</b>					
South Dunsmuir Sewer Special Assessment District Debt	\$ 76,000	\$ -	\$ 5,000	\$ 71,000	\$ 5,000
<b>Business-type activities:</b>					
Notes from direct borrowings	\$ 2,692,858	\$ 2,683,551	\$ 143,289	\$ 5,233,120	\$ 131,428
Interest payable	32,403	-	1,560	30,843	30,843
<b>Total business-type activities</b>	<b>\$ 2,725,261</b>	<b>\$ 2,683,551</b>	<b>\$ 144,849</b>	<b>\$ 5,263,963</b>	<b>\$ 162,271</b>

The City's outstanding debt from the special assessment district for the South Dunsmuir Sewer system related to governmental activities of \$71,000 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 \$5,233,120 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, 2021, the City has accumulated a reserve of \$35,352 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.

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, 2021, the City has accumulated \$105,039 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, 2021, the City has accumulated a reserve of \$31,469 in a separate reserve account and shows this as part of restricted cash in the Water Fund.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 7 LONG TERM DEBT (continued)**

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.

2005 California Department of Water Resources Van Fossen and Mason Water System Loan: Semi-annual principal payments at 0% interest maturing July 1, 2026. The City paid off this loan during the fiscal year. The prior year reserve fund previously shown as restricted cash is now part of the unrestricted cash of the Water fund at year-end.

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, 2021 was \$2,683,550, not including interest payable of \$2,190. 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.

Debt service requirements on long-term debt at June 30, 2021, 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
2022	\$ 5,000	\$ 4,110	\$ 131,428	\$ 116,439
2023	6,000	3,780	2,818,491	157,794
2024	6,000	3,420	138,478	180,226
2025	7,000	3,030	143,044	68,330
2026	7,000	2,610	147,640	64,168
2027-2031	40,000	6,180	801,159	253,222
2032-2036	-	-	733,880	125,738
2037-2041	-	-	143,000	56,205
2042-2046	-	-	176,000	23,078
	<b>\$ 71,000</b>	<b>\$ 23,130</b>	<b>\$ 5,233,120</b>	<b>\$ 1,045,200</b>

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 8 COMPENSATED ABSENCES**

Included in long-term liabilities, changes in compensated absence payable for the year ended June 30, 2021, is as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Current Portion
<b>Governmental Activities:</b>					
General fund	\$ 60,039	\$ -	\$ 4,129	\$ 55,910	\$ 54,040
<b>Business-type Activities:</b>					
Sewer fund	23,457	29,514	-	52,971	21,066
Solid Waste fund	5,040	204	-	5,244	5,201
Water fund	57,167	-	23,750	33,417	21,907
Airport fund	2,110	127	-	2,237	2,237
<b>Total Business-type Activities</b>	<b>87,774</b>	<b>29,845</b>	<b>23,750</b>	<b>93,869</b>	<b>50,411</b>
<b>Total Compensated Absences</b>	<b>\$ 147,813</b>	<b>\$ 29,845</b>	<b>\$ 27,879</b>	<b>\$ 149,779</b>	<b>\$ 104,451</b>

**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.”

*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:

<b>Miscellaneous</b>		
<b>Contribution Type</b>	<b>Classic</b>	<b>PEPRA</b>
Employee (Charged)	7.000%	6.750%
Employee (Effective)	6.906%	6.750%
Employer	9.680%	6.985%
<b>Safety</b>		
Employee (Charged)	0.000%	12.000%
Employee (Effective)	0.000%	12.000%
Employer	0.000%	13.034%

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 9 PENSION PLAN (continued)**

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 2019–2020 from the June 30, 2019, funding valuation report.

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

All other actuarial assumptions used in the June 30, 2019, 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.

<sup>1</sup> 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.

*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.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 9 PENSION PLAN (continued)**

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

Asset Class (1)	Assumed asset allocation	Real return years 1-10 (2)	Real return years 11+ (3)
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 CAFR, 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.

**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.

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:

<b>Difference between projected and actual earnings</b>	Five-year straight-line amortization
<b>All other amounts</b>	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.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 9 PENSION PLAN (continued)**

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 Earnings 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, 2020 measurement date, is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 548,581 (the sum of remaining service lifetimes of all active employees) by 145,663 (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, 2020 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.

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.



**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 9 PENSION PLAN (continued)**

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each **Plan** as follows:

	<b>Proportionate Share of Net Pension Liability</b>
<b>Miscellaneous</b>	\$1,157,375
<b>Safety</b>	264,539
<b>Total</b>	<b>\$1,421,914</b>

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2020 measurement date was as follows:

	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
Proportion - June 30, 2019	0.02640%	0.00416%	<b>0.01285%</b>
Proportion - June 30, 2020	0.02744%	0.00397%	<b>0.01307%</b>
<b>Change - Increase/(Decrease)</b>	0.00104%	-0.00019%	<b>0.00022%</b>

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the June 30, 2020 measurement date, the contributions recognized as part of pension expense for each **Plan** were as follows:

	<b>Miscellaneous</b>	<b>Safety</b>
\$	112,436	\$ 30,076

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$216,344.

At the June 30, 2020 measurement date, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>For the Measurement Year Ended June 30, 2020</b>		
Change in assumptions	\$ -	\$ 9,136
Differences between actual and expected experience	80,157	-
Difference between projected and actual earnings on pension plan investments	40,131	-
Differences between the employer's proportionate share of contributions	19,656	63,376
Change in employer's proportion	49,974	13,878
Pension contributions made subsequent to the measurement date	160,135	-
Total	<b>\$ 350,053</b>	<b>\$ 86,390</b>

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 9 PENSION PLAN (continued)**

The \$160,135 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period</b>	
<b>Ending June 30,</b>	
2021	\$ 13,399
2022	39,209
2023	31,549
2024	19,371
2025	-
Remaining	-
<b>Total</b>	<b>\$ 103,528</b>

*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%
<b>Plan's Net Pension Liability</b>			
Miscellaneous	\$1,778,024	\$1,157,375	\$644,551
Safety	339,591	264,539	202,952
<b>Total</b>	<b>\$2,117,615</b>	<b>\$1,421,914</b>	<b>\$847,503</b>

*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, 2021.

**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, 2021 for governmental activities were restricted for the specific fund purpose and business-type activities were restricted for debt service.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**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 \$1,096,763 at June 30, 2021.

Other Major Fund

The Community Development Project Income Fund has Non-spendable Fund Balance of \$739,572 consisting of noncurrent receivables and an Unassigned Fund Balance of \$81,722 at June 30, 2021.

Other Funds

Other governmental (non-major) funds have Non-spendable Fund Balance of \$169,337, consisting of noncurrent receivables, Restricted Fund Balance of \$151,069 restricted for fund purposes of public safety, streets and roads improvements, and community development, and an Unassigned Fund Balance (Deficit) of \$(3,461) at June 30, 2021.

**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**

In January 2021, construction began on the Water Mainline Replacement Project. The City awarded the construction contract to SnL Group, Inc. in the amount of \$6,550,083, and has agreed to change orders through June 30, 2021, that brings the total contract price to \$7,619,395. At June 30, 2021, the remaining commitment on this contract is \$4,935,845. The City also executed a contract in the amount of \$1,488,000, with PACE Engineering, Inc. for final design and construction engineering services, including inspection services. At June 30, 2021, the remaining commitment on this contract is \$1,211,754.

In March 2021, construction began on the Airport Runway Reconstruction Project. The City awarded the construction contract to Tullis, Inc. in the amount of \$2,297,700. At June 30, 2021, the remaining commitment on this contract is \$165,033. The City also executed a contract in the amount of \$262,683, with Kimley-Horn and Associates, Inc. for construction engineering services, including inspection services. At June 30, 2021, the remaining commitment on this contract is \$91,691.

**NOTE 15 LEASES**

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.

**NOTE 16 PRIOR PERIOD ADJUSTMENT**

During this fiscal year the City discovered that the prior year purchase of water meters for the water mainline replacement project in the amount of \$31,317 had previously been recorded as an expense of the Water Fund, rather than capitalized as construction in progress. A prior period adjustment has been recorded in the Water Fund increasing the beginning net position to \$6,473,060 (see page 10). Had the adjustment been made in the prior year, the change in net position would have been increase to \$175,502 from \$144,185.

**City of Dunsmuir**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**NOTE 17 EXTRAORDINARY ITEMS**

**COVID-19 REVENUES**

Due to the unprecedented response to the coronavirus pandemic by the Federal Government, the City received State of California pass-through funding from the following Federal programs to assist the City in its response to the impacts of the pandemic restrictions and lockdowns:

1) To assist in fiscal recovery and response to the pandemic, the America Rescue Plan Act, signed into law March 11, 2021, established the Coronavirus State and Local Fiscal Recovery Funds. Funding from this program is subject to the requirements specified in the Final Rule released by the U.S. Department of Treasury on January 6, 2022. The Final Rule allows the City to use these funds entirely for fiscal recovery due to the pandemic. During the year ended June 30, 2021, the City's General Fund received benefits from the Coronavirus State and Local Fiscal Recovery Funds in the amount of \$187,071. It is anticipated that the City will receive the same amount in the year ended, June 30, 2022.

2) The CARES Act, signed into law March 27, 2020, provided economic relief to the City to assist in covering the initial response to the pandemic for public safety related expenses. During the year ended June 30, 2021, the City received total benefits from the CARES Act program in the amount of \$50,000.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**CITY OF DUNSMUIR**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<b>REVENUES</b>				
Property taxes	\$ 297,000	\$ 297,000	\$ 310,852	\$ 13,852
Sales and use taxes	230,500	230,500	294,972	64,472
Transient occupancy taxes	125,000	125,000	274,327	149,327
Franchise and other licenses	43,000	43,000	37,719	(5,281)
Licenses and permits	95,700	56,700	54,034	(2,666)
Intergovernmental revenues	303,870	344,597	513,581	168,984
Charges for services	104,500	129,500	197,302	67,802
Fines, forfeitures and penalties	4,000	4,000	9,774	5,774
Use of money and property	66,866	66,866	30,284	(36,582)
Other	256,108	256,108	109,700	(146,408)
<b>Total revenues</b>	<b>1,526,544</b>	<b>1,553,271</b>	<b>1,832,545</b>	<b>279,274</b>
<b>EXPENDITURES</b>				
Current:				
City council	12,200	12,200	6,787	5,413
City administrator	65,270	65,270	21,722	43,548
City clerk	44,205	44,205	37,733	6,472
City attorney	28,000	28,000	9,918	18,082
Planning	91,205	116,205	127,111	(10,906)
Finance and administration	169,230	169,230	90,720	78,510
Police protection	416,000	416,000	414,626	1,374
Code enforcement and animal regulation	106,138	105,138	118,082	(12,944)
Fire protection	253,951	288,951	331,580	(42,629)
Streets and roads	149,745	149,745	115,521	34,224
Buildings and grounds	144,030	144,030	136,268	7,762
Community and economic development	53,543	53,543	52,147	1,396
Bad debt expense	-	-	-	-
Capital outlay	57,002	57,002	140,322	(83,320)
<b>Total expenditures</b>	<b>1,590,519</b>	<b>1,649,519</b>	<b>1,602,537</b>	<b>46,982</b>
Excess of revenues over (under) expenditures	(63,975)	(96,248)	230,008	326,256
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	8,500	8,500
Operating transfers in (out)	11,000	11,000	71,365	60,365
<b>Total other financing sources (uses)</b>	<b>11,000</b>	<b>11,000</b>	<b>79,865</b>	<b>68,865</b>
<b>EXTRAORDINARY ITEMS</b>				
CARES Act relief funds	-	50,000	50,000	-
Coronavirus fiscal recovery funds	-	-	187,071	187,071
<b>Total extraordinary items</b>	<b>-</b>	<b>50,000</b>	<b>237,071</b>	<b>187,071</b>
<b>Net change in fund balance</b>	<b>\$ (52,975)</b>	<b>\$ (35,248)</b>	<b>\$ 546,944</b>	<b>\$ 582,192</b>

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

**CITY OF DUNSMUIR**  
**Budgetary Comparison Schedule**  
**Community Development Project Income Fund**  
**For The Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<b>REVENUES</b>				
Use of money and property	\$ 6,000	\$ 6,000	\$ 7,207	\$ 1,207
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>7,207</u>	<u>1,207</u>
<b>EXPENDITURES</b>				
Current:				
Community and economic development	317	317	316	1
Total expenditures	<u>317</u>	<u>317</u>	<u>316</u>	<u>1</u>
Excess of revenues (under) expenditures	<u>5,683</u>	<u>5,683</u>	<u>6,891</u>	<u>1,208</u>
<b>OTHER FINANCING (USES)</b>				
Operating transfers in (out)	(5,500)	(5,500)	(36,407)	(30,907)
Total other financing sources (uses)	<u>(5,500)</u>	<u>(5,500)</u>	<u>(36,407)</u>	<u>(30,907)</u>
Excess of revenues (under) expenditures and other uses	<u>\$ 183</u>	<u>\$ 183</u>	<u>\$ (29,516)</u>	<u>\$ (29,699)</u>

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

**CITY OF DUNSMUIR**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**June 30, 2021**  
**Last 10 Years**

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

<b>Measurement Year Ending June 30:</b> <sup>1</sup>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Plan's proportion of the net pension liability	0.01178%	0.01159%	0.01217%	0.01229%	0.01256%	0.01285%	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
Plan's covered payroll	\$466,885	\$437,788	\$502,299	\$590,235	\$597,588	\$628,636	\$693,731
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%
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%
Plan's proportionate share of aggregate employer contributions <sup>2</sup>	\$99,580	\$126,521	\$123,954	\$129,202	\$136,588	\$157,172	\$171,583

<sup>1</sup> GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> 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, 2021**  
**Last 10 Years**

SCHEDULE OF LOCAL GOVERNMENT'S PLAN CONTRIBUTIONS  
COMBINED PLANS

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

<sup>1</sup> GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> 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, 2021**

	Special Revenue Funds						Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund	So. Dunsmuir Sewer Assessment Fund	
<b>ASSETS</b>							
Cash	\$ 13,799	\$ 5,225	\$8,032	\$ 22,528	\$ 98,391	\$ -	\$ 147,975
Receivables (net of allowance for doubtful accounts, where applicable):							
Loans	-	-	-	-	169,337	-	169,337
Intergovernmental and other	17,564	-	-	6,352	10,693	1,453	36,062
<b>Total assets</b>	<b>\$ 31,363</b>	<b>\$ 5,225</b>	<b>\$8,032</b>	<b>\$ 28,880</b>	<b>\$ 278,421</b>	<b>\$ 1,453</b>	<b>\$ 353,374</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 12	\$ 3,608	\$2,560	\$ -	\$ 23,718	\$ -	\$ 29,898
Due to other funds	-	408	-	-	-	6,123	6,531
<b>Total liabilities</b>	<b>12</b>	<b>4,016</b>	<b>2,560</b>	<b>-</b>	<b>23,718</b>	<b>6,123</b>	<b>36,429</b>
Fund balances (deficits):							
Nonspendable:							
Noncurrent receivables	-	-	-	-	169,337	-	169,337
Restricted for:							
Streets and roads	31,351	-	5,472	-	-	-	36,823
Public safety	-	-	-	28,880	-	-	28,880
Community and economic development	-	-	-	-	85,366	-	85,366
<b>Total</b>	<b>31,351</b>	<b>-</b>	<b>5,472</b>	<b>28,880</b>	<b>85,366</b>	<b>-</b>	<b>151,069</b>
Unassigned (deficit)	-	1,209	-	-	-	(4,670)	(3,461)
<b>Total fund balance (deficit)</b>	<b>31,351</b>	<b>1,209</b>	<b>5,472</b>	<b>28,880</b>	<b>254,703</b>	<b>(4,670)</b>	<b>316,945</b>
<b>Total liabilities and fund balance</b>	<b>\$ 31,363</b>	<b>\$ 5,225</b>	<b>\$8,032</b>	<b>\$ 28,880</b>	<b>\$ 278,421</b>	<b>\$ 1,453</b>	<b>\$ 353,374</b>

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, 2021**

	Special Revenue					So. Dunsmuir Sewer Assessment Fund	Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund	Fund	
<b>REVENUES</b>							
Assessments	\$ -	\$ -	\$ -	\$ 27,765	\$ -	\$ 9,589	\$ 37,354
Intergovernmental revenues	58,841	58,815	29,379	-	10,693	-	157,728
Use of money and property	-	-	-	206	6,771	-	6,977
<b>Total revenues</b>	<b>58,841</b>	<b>58,815</b>	<b>29,379</b>	<b>27,971</b>	<b>17,464</b>	<b>9,589</b>	<b>202,059</b>
<b>EXPENDITURES</b>							
Current:							
Fire protection	-	-	-	6,970	-	-	6,970
Streets and roads	4,753	76,389	34,438	-	-	-	115,580
Transit assistance	41,277	-	-	-	-	-	41,277
Community and economic development	-	-	-	-	25,724	1,064	26,788
Capital outlay	-	8,162	-	93,741	-	-	101,903
Bad debt expense	-	-	-	-	38,687	-	38,687
Debt service:							
Principal	-	-	-	-	-	5,000	5,000
Interest	-	-	-	-	-	4,410	4,410
<b>Total expenditures</b>	<b>46,030</b>	<b>84,551</b>	<b>34,438</b>	<b>100,711</b>	<b>64,411</b>	<b>10,474</b>	<b>340,615</b>
Excess of revenues over (under) expenditures	12,811	(25,736)	(5,059)	(72,740)	(46,947)	(885)	(138,556)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of assets	-	-	-	60,000	-	-	60,000
Operating transfers in (out)	-	30,126	-	-	(65,084)	466	(34,492)
Total other financing sources (uses)	-	30,126	-	60,000	(65,084)	466	25,508
Excess of revenues and other sources over (under) expenditures and other uses	12,811	4,390	(5,059)	(12,740)	(112,031)	(419)	(113,048)
<b>FUND BALANCE</b>							
Beginning of the year	18,540	(3,181)	10,531	41,620	366,734	(4,251)	429,993
End of the year	<u>\$ 31,351</u>	<u>\$ 1,209</u>	<u>\$ 5,472</u>	<u>\$ 28,880</u>	<u>\$254,703</u>	<u>\$ (4,670)</u>	<u>\$ 316,945</u>

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, 2021, 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 13, 2022.

***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) to determine the 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 **Finding 2021-001**, that I consider to be a material weakness.

***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*.

**City of Dunsmuir, California's Response to Findings**

City of Dunsmuir, California's response to the findings identified in my audit is 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, appearing to read "Charles W. Pilon, CPA". The signature is stylized and includes a large loop at the end.

Charles W. Pilon, CPA  
Anderson, California

June 13, 2022

**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***

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, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the City of Dunsmuir, California's major federal programs based on my audit of the types of compliance requirements referred to above. 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). Those standards and the *Uniform Guidance* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dunsmuir, California's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Dunsmuir, California's compliance.

***Opinion on Each Major Federal Program***

In my opinion, the City of Dunsmuir, California's 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, 2021.

***Other Matters***

The City of Dunsmuir, California's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City of Dunsmuir, California's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, I express no opinion on it.



## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Report on Internal Control over Compliance**

Management of the City of Dunsmuir, California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Dunsmuir, California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Dunsmuir, California's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider 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. 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. I identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs (**Finding 2021-002 and 2021-003**), that I consider a material weakness.

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 13, 2022

**CITY OF DUNSMUIR**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<b>Federal Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor and Number</b>	<b>Passed-through to Subrecipients (\$)</b>	<b>Federal Expenditures(\$)</b>
<b>Highway Planning and Construction Cluster-Cluster</b>				
Department of Transportation				
Highway Planning and Construction				
		California Department of Transportation		
Highway Planning and Construction	20.205	0218000085L-N	\$	143,569
Total Highway Planning and Construction			\$0	143,569
<i>Total Department of Transportation</i>				143,569
<b>Total Highway Planning and Construction Cluster-Cluster</b>				143,569
<b>Other Programs</b>				
Department of Homeland Security				
Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039			2,814
Total Hazard Mitigation Grant			0	2,814
<i>Total Department of Homeland Security</i>				2,814
Department of Transportation				
Airport Improvement Program and COVID-19 Airports Programs				
Airport Improvement Program and COVID-19 Airports Programs	20.106			2,377,603
Total Airport Improvement Program and COVID-19 Airports Programs			0	2,377,603
<i>Total Department of Transportation</i>				2,377,603
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		
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-CV1-00120; 20-CDBG-12088		23,718
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			19,404	23,718
<i>Total Department of Housing and Urban Development</i>				23,718
Department of the Treasury				
Coronavirus Relief Fund				
Coronavirus Relief Fund	21.019			50,000
Total Coronavirus Relief Fund			0	50,000
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
<i>Total Department of the Treasury</i>				237,071
United States Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities				
Water and Waste Disposal Systems for Rural Communities	10.760			3,264,600
Total Water and Waste Disposal Systems for Rural Communities			0	3,264,600
<i>Total United States Department of Agriculture</i>				3,264,600
<b>Total Other Programs</b>				5,905,806
<b>Total Expenditures of Federal Awards</b>			\$ 19,404	\$ 6,049,375

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, 2021**

**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, 2021. 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 \$19,404 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—SIGNIFICANT ASSUMPTION AND 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", for the construction of the Water Mainline Replacement Project, began and the initial Federal funding came 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 June 30, 2021, drawn to fund the USDA Federal program expenditures, is \$2,683,550. The total Federal expenditures reported on the Schedule is \$3,264,600. The unfunded "allowable" expenditures (\$581,050) related to this Federal program are considered to be Federal expenditures for the year ended June 30, 2021, based on the assumption that they will be funded from either the loan or grant portion of the USDA grant.

**City of Dunsmuir**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**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 programs:
  - **United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA No. 10.760**
  - **United States Department of Transportation, Airport Improvement Program and COVID-19 Airports Programs, CFDA No. 20.106**
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**

**2021–001 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, 2020, twenty (20) audit adjustments were required to correct material misstatements with a total effect on the change in net position of \$141,834. Again, for the audit of the year ended June 30, 2021, nineteen (19) audit adjustments were required to correct material misstatements with a total effect on the change in net position of \$445,953. These were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles (GAAP), and for the schedule of expenditures of federal awards (SEFA) to be prepared in accordance with the *Uniform Guidance*. In addition, the City relied on the external auditor to ensure its financial statements are in accordance with GAAP, the SEFA is in accordance with the *Uniform Guidance*, 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, or the SEFA in the case of a Single Audit, 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, and for the SEFA to be prepared in accordance with the *Uniform Guidance*, should be identified and posted by the City. The SEFA should contain accurate dollar amounts for Federal program expenditures that reconcile to the underlying financial records, as well as containing accurate titles and catalogue of federal direct assistance numbers identifying such programs.

**City of Dunsmuir**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**2021-001 (continued)**

*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. In addition, adjustments were not identified due to a lack of adequate time necessary to fully complete the process, which was due to the resignation of the City Manager during the close and audit preparation process and those City Manager duties being assigned by the City Council to the Finance Director. The material weakness in reporting is because the Finance Director does not possess an adequate knowledge of GAAP relating to “preparing” the financial statements and related notes and the *Uniform Guidance* relating to “preparing” the SEFA and related notes. The cause of this lack of adequate knowledge is due to limited time for training and research.

*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. The SEFA contained material misstatements, related to both quantitative and qualitative information. **There are no questioned costs related to this finding.**

*Context:* This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018, 2019 and 2020, 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 continues to receive adequate and certified training, as it does with other City personnel, in order to develop the appropriate knowledge and expertise in GAAP, *Uniform Guidance* and the area of “financial statement close and reporting”, especially related to governmental fund accounting. 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, the City should consider and explore the costs of using a qualified CPA to assist the Finance Director with the year-end close process, typically referred to as a pre-audit, assist with preparing the GAAP financial statements at year-end or as needed, and with preparing the SEFA when required.

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

**2021-002 and 2021-003 Material Weakness in Internal Controls over Compliance: Cost Principles**

**2021-002: United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA No. 10.760 and 2021-003: United States Department of Transportation, Airport Improvement Program and COVID-19 Airports Programs, CFDA No. 20.106 - Year ended June 30, 2021**

*Condition:* The City does not have written policies and procedures for compliance over Federal award programs. While the City downloads specific Federal requirements related to various compliance requirements when it is managing a program, it does not have written policies and procedures for compliance over Federal award programs for all 12 compliance requirements found in the *Uniform Guidance*.

*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 programs.

*Cause:* The City only has internal policies and procedures that comply with State laws and regulation.

*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 not a repeat finding. **There are no questioned costs related to this finding.**

*Recommendation:* The City should develop a complete set of “specific” written policies and procedures for compliance over Federal award programs and communicate them to the appropriate City personnel.

*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, 2021**

**Summary of Prior Audit Findings**

**2020-001 Material Errors in the Financial Statements**

*Condition:* Material audit adjustments were proposed. The items consisted of adjustments to properly record revenues and expenses, capitalize capital asset purchases, and record annual depreciation.

*Recommendation:* The City's Finance Director would benefit from increased knowledge and expertise in the area of "financial statement close and reporting". The City should ensure that the Finance Director receives additional training and ample time and resources to adequately perform the financial close and reporting process to make sure the City's financial statements are not materially misstated.

*Status:* As noted in the current year finding, **2021-001**, this finding has not been implemented, however, it was noted during the current year audit that many of the audit adjustments that occurred in the prior years, such as year-end accruals and capitalizing of capital expenditures, were made by the Finance Director while closing the year-end financial statements and preparing for the audit. Due to the impact of the City Manager leaving during the closing process, many year-end adjustments were unable to be done before the audit had to be started.



## CORRECTIVE ACTION PLAN

Year ended 6/30/21

**Finding:** 2021-001

**Agency:** City of Dunsmuir

**Responsible person name/title:** Blake Michaelsen, Finance Director

**Anticipated completion date:** 06/30/2022

**Agency's response:** Concur

**Corrective action plan:** The Finance Director will prepare for the audit and reduce material adjustments for the 6/30/2022 audit and, as an additional measure, will contract with a qualified third-party to assist with the financial close and reporting process if needed for the 6/30/2023 audit.

**Finding:** 2021-002 and 2021-003

**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 Finance Director will list all 12 compliance requirements found in the *Uniform Guidance* and create written policies and procedures for each specifically. Specific policies and procedures will be communicated to City personnel.