

City of Mt. Shasta

Mt. Shasta, California

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2019

City of Mt. Shasta
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June 30, 2019

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CITY COUNCIL

Mayor..... Barbara Wagner
Council Member..... Jeffrey Collings
Council Member..... John Redmond
Council Member..... Paul Engstrom
Council Member..... John Stackfleth

ADMINISTRATIVE PERSONNEL

City Manager..... Bruce Pope
Finance Director..... Muriel Howarth Terrell
City Clerk..... John Kennedy
City Treasurer..... Rhonda Boss-Monaghan
Chief of Police Parish Cross
Fire Chief Matt Melo
Public Works Director Rod Bryan
City Attorney..... John Kenny



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Mt. Shasta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Shasta, California (the City) as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 City'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 City's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinions

In our 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 the City as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 40 and pension disclosure schedules on pages 41 and 42 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Mt. Shasta's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 44 through 47 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 our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020, on our consideration of the City of Mt. Shasta, California's internal control over financial reporting and on our 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 our 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 Mt. Shasta, California's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Mt. Shasta, California
January 22, 2020

BASIC FINANCIAL STATEMENTS

City of Mt. Shasta
STATEMENT OF NET POSITION

June 30, 2019	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 2,372,751	\$ 1,074,550	\$ 3,447,301
Receivables - net of allowances for bad debts, where applicable:			
Trade accounts	-	253,150	253,150
Interest	8,618	3,037	11,655
Taxes, TOT, and sales	451,952	-	451,952
Intergovernmental	156,848	1,606,766	1,763,614
Assessments and other	42,029	-	42,029
Prepaid expenses	20,925	-	20,925
Total Current Assets	3,053,123	2,937,503	5,990,626
Noncurrent Assets			
Loans receivable	729,655	-	729,655
Nondepreciable capital assets	941,385	3,643,743	4,585,128
Depreciable capital assets - net	7,709,228	13,209,279	20,918,507
Total Noncurrent Assets	9,380,268	16,853,022	26,233,290
Total Assets	12,433,391	19,790,525	32,223,916
DEFERRED OUTFLOWS			
Pension related deferred outflows	923,843	122,565	1,046,408
LIABILITIES			
Current Liabilities			
Accounts payable	145,796	192,300	338,096
Accrued liabilities	100,501	12,757	113,258
Deposits	-	116,735	116,735
Unearned revenue	67,065	-	67,065
Current portion of long-term debt	-	38,495	38,495
Current portion of compensated absences	126,258	21,671	147,929
Total Current Liabilities	439,620	381,958	821,578
Long-Term Liabilities			
Long-term debt - net of current portion	-	1,100,491	1,100,491
Compensated absences - net of current portion	31,564	5,418	36,982
Net pension liability	3,180,535	435,611	3,616,146
Total Long-Term Liabilities	3,212,099	1,541,520	4,753,619
Total Liabilities	3,651,719	1,923,478	5,575,197
Deferred Inflows			
Pension related deferred inflows	219,445	33,769	253,214
NET POSITION			
Net investment in capital assets	8,650,613	15,714,036	24,364,649
Restricted	1,914,254	492,633	2,406,887
Unrestricted	(1,078,797)	1,749,174	670,377
Total Net Position	\$ 9,486,070	\$ 17,955,843	\$ 27,441,913

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

City of Mt. Shasta
STATEMENT OF ACTIVITIES

Year Ended June 30, 2019	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 administration	\$ 898,133	\$ 104,707	\$ 84,795	\$ -	\$ (708,631)	\$ -	\$ (708,631)
Public safety	2,086,516	256,319	353,469	-	(1,476,728)	-	(1,476,728)
Public works - administration	58,438	39,315	-	-	(19,123)	-	(19,123)
Public works - streets & roads	1,393,401	-	674,075	-	(719,326)	-	(719,326)
Public works - building & central garage	379,491	-	-	-	(379,491)	-	(379,491)
Community development	295,565	30,879	20,612	-	(244,074)	-	(244,074)
Library	204,296	-	-	-	(204,296)	-	(204,296)
Interest on long-term debt	556	-	-	-	(556)	-	(556)
Total Governmental Activities	5,316,396	431,220	1,132,951	-	(3,752,225)	-	(3,752,225)
Business-Type Activities							
Water	793,808	620,235	-	254,869	-	81,296	81,296
Sewer	1,152,109	1,312,985	-	1,185,255	-	1,346,131	1,346,131
Garbage	706,704	623,599	-	-	-	(83,105)	(83,105)
Drainage	78,376	28,129	-	-	-	(50,247)	(50,247)
Total Business-Type Activities	2,730,997	2,584,948	-	1,440,124	-	1,294,075	1,294,075
Total Government	\$ 8,047,393	\$ 3,016,168	\$ 1,132,951	\$ 1,440,124	(3,752,225)	1,294,075	(2,458,150)
General Revenues							
Taxes:							
Property					550,975	-	550,975
Sales & use taxes					2,068,538	-	2,068,538
Transient occupancy tax					821,454	-	821,454
Other					39,131	-	39,131
Investment earnings					39,426	28,532	67,958
Total General Revenues					3,519,524	28,532	3,548,056
Change in net position					(232,701)	1,322,607	1,089,906
Net Position - Beginning of Year, as Originally Stated					9,718,771	16,274,019	25,992,790
Prior Period Adjustment					-	359,217	359,217
Net Position - Beginning of Year, as Restated					9,718,771	16,633,236	26,352,007
Net Position - End of Year					\$ 9,486,070	\$ 17,955,843	\$ 27,441,913

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

City of Mt. Shasta

BALANCE SHEET – GOVERNMENTAL FUNDS AND RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2019	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 829,798	\$ 1,542,953	\$ 2,372,751
Receivables - net of allowances for bad debts, where applicable:			
Loans	-	729,655	729,655
Interest	4,743	3,875	8,618
Taxes, TOT, and sales	400,153	51,799	451,952
Intergovernmental	124,380	32,468	156,848
Special assessments	42,029	-	42,029
Prepaid expenses	20,925	-	20,925
Due from other funds	20,000	-	20,000
TOTAL ASSETS	\$ 1,442,028	\$ 2,360,750	\$ 3,802,778
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 111,852	\$ 33,944	\$ 145,796
Accrued liabilities	100,501	-	100,501
Due to other funds	-	20,000	20,000
Unearned revenue	62,158	4,907	67,065
Total Liabilities	274,511	58,851	333,362
Fund Balance			
Nonspendable	40,925	-	40,925
Restricted	-	1,914,254	1,914,254
Committed	146,368	-	146,368
Assigned	-	387,950	387,950
Unassigned	980,224	(305)	979,919
Total Fund Balances	1,167,517	2,301,899	3,469,416
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,442,028	\$ 2,360,750	\$ 3,802,778
Total Governmental Fund Balance - as Above			\$ 3,469,416
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the balance sheet			8,650,613
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet			(3,180,535)
Compensated absences are not due and payable in the current period and therefore not reported in the balance sheet			(157,822)
Deferred outflows and inflows are not receivable or due and payable in the current period and therefore are not reported on the balance sheet			704,398
Net Position of Governmental Activities			\$ 9,486,070

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

City of Mt. Shasta

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

Year Ended June 30, 2019	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 550,975	\$ -	\$ 550,975
Sales and use taxes	1,688,181	380,357	2,068,538
Transient occupancy tax	821,454	-	821,454
Assessments	-	272,756	272,756
Franchises	69,829	-	69,829
Licenses and permits	34,878	-	34,878
Intergovernmental revenues	84,795	843,770	928,565
Charges for services	234,249	-	234,249
Fines, forfeitures, and penalties	11,560	-	11,560
Use of money and property	23,774	15,652	39,426
Other and administrative	48,814	2,651	51,465
Total Revenues	3,568,509	1,515,186	5,083,695
Expenditures			
Current:			
City council	25,122	-	25,122
City administration	138,173	-	138,173
City clerk	9,558	-	9,558
Finance and personnel	184,773	-	184,773
City attorney	63,621	-	63,621
Fire protection	719,161	-	719,161
Police protection	915,042	35,028	950,070
Public safety dispatching	258,489	-	258,489
Animal regulation - code enforcement	37,381	-	37,381
Planning	132,051	-	132,051
Public works - administration	58,438	-	58,438
Public works - streets & roads	393,352	203,112	596,464
Public works - building & grounds	314,246	-	314,246
Public transportation	-	202,043	202,043
Insurance	140,890	-	140,890
Community development	139,862	155,703	295,565
Library	-	204,296	204,296
Other	193,791	-	193,791
Capital outlay	47,894	765,419	813,313
Debt service:			
Interest	-	556	556
Total Expenditures	3,771,844	1,566,157	5,338,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(203,335)	(50,971)	(254,306)
Other Financing Sources (Uses)			
Operating transfers in	92,350	44,452	136,802
Operating transfers out	-	(136,802)	(136,802)
Total Other Financing Sources (Uses)	92,350	(92,350)	-
Net Change in Fund Balance	(110,985)	(143,321)	(254,306)
Fund Balance - Beginning of Year	1,278,502	2,445,220	3,723,722
Fund Balance - End of Year	\$ 1,167,517	\$ 2,301,899	\$ 3,469,416

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

City of Mt. Shasta**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES - GOVERNMENT ACTIVITIES**

Year Ended June 30, 2019

Change in Fund Balance - Governmental Funds	\$	(254,306)
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Amount 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. This
is the amount by which capital outlay expense (\$813,313) exceeds
depreciation expense (\$800,577) in the current period.

12,736

Government funds do not report the change in compensated absences as
revenue or expenditure, but it is reported in the Statement of Activities.

(4,765)

Governmental funds do not report the changes of unfunded pension
obligations but it is reported in the Statement of Activities.

13,634

Change in Net Position - Governmental Activities	\$	(232,701)
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The accompanying notes are an integral part of these financial statements.

City of Mt. Shasta
STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2019	Water	Sewer	Garbage	Drainage	Total Enterprise Funds
ASSETS					
Current Assets					
Cash and investments	\$ 775,882	\$ -	\$ 206,507	\$ 92,161	\$ 1,074,550
Receivables - net of allowances for bad debts, where applicable:					
Trade accounts	61,311	130,857	58,884	2,098	253,150
Intergovernmental	317,360	1,289,406	-	-	1,606,766
Interest	1,955	-	732	350	3,037
Due from other funds	204,754	-	-	-	204,754
Total Current Assets	1,361,262	1,420,263	266,123	94,609	3,142,257
Noncurrent Assets					
Nondepreciable capital assets	936,162	2,707,581	-	-	3,643,743
Depreciable capital assets - net	6,963,144	5,485,916	-	760,219	13,209,279
Total Noncurrent Assets	7,899,306	8,193,497	-	760,219	16,853,022
Total Assets	9,260,568	9,613,760	266,123	854,828	19,995,279
DEFERRED OUTFLOWS					
Pension related deferred outflows	60,125	60,787	-	1,653	122,565
LIABILITIES					
Current Liabilities					
Accounts payable	30,382	134,200	27,047	671	192,300
Accrued liabilities	4,712	7,648	-	397	12,757
Deposits	42,185	74,550	-	-	116,735
Due to other funds	-	204,754	-	-	204,754
Current portion of long-term debt	-	38,495	-	-	38,495
Current portion of compensated absences	7,349	14,322	-	-	21,671
Total Current Liabilities	84,628	473,969	27,047	1,068	586,712
Long-Term Liabilities					
Long-term debt - net of current portion	-	1,100,491	-	-	1,100,491
Compensated absences - net of current portion	1,837	3,581	-	-	5,418
Net pension liability	213,692	216,043	-	5,876	435,611
Total Long-Term Liabilities	215,529	1,320,115	-	5,876	1,541,520
Total Liabilities	300,157	1,794,084	27,047	6,944	2,128,232
DEFERRED INFLOWS					
Pension related deferred inflows	16,565	16,748	-	456	33,769
NET POSITION					
Net investment in capital assets	7,899,306	7,054,511	-	760,219	15,714,036
Restricted	-	467,163	-	25,470	492,633
Unrestricted	1,104,665	342,041	239,076	63,392	1,749,174
Total Net Position	\$ 9,003,971	\$ 7,863,715	\$ 239,076	\$ 849,081	\$ 17,955,843

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

City of Mt. Shasta

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

Year Ended June 30, 2019	Water	Sewer	Garbage	Drainage	Total Enterprise Funds
Operating Revenues					
User fees and charges	\$ 620,235	\$ 1,312,985	\$ 623,599	\$ 28,129	\$ 2,584,948
Operating Expenses					
Cost of power and water	10,477	102,797	-	-	113,274
Maintenance, operations, and administration	453,210	767,865	706,704	55,909	1,983,688
Depreciation and amortization	330,121	245,570	-	22,467	598,158
Total Operating Expenses	793,808	1,116,232	706,704	78,376	2,695,120
Operating Income (Loss)	(173,573)	196,753	(83,105)	(50,247)	(110,172)
Nonoperating Revenues (Expenses)					
Investment income	21,809	2,090	3,091	1,542	28,532
Interest expense	-	(35,877)	-	-	(35,877)
Total Nonoperating Revenues (Expenses)	21,809	(33,787)	3,091	1,542	(7,345)
Income Before Capital Contributions	(151,764)	162,966	(80,014)	(48,705)	(117,517)
Capital contributions	254,869	1,185,255	-	-	1,440,124
Change in Net Position	103,105	1,348,221	(80,014)	(48,705)	1,322,607
Net Position - Beginning of Year, as Originally Stated	8,836,722	6,220,421	319,090	897,786	16,274,019
Prior Period Adjustment	64,144	295,073	-	-	359,217
Net Position - Beginning of Year, as Restated	8,900,866	6,515,494	319,090	897,786	16,633,236
Net Position - End of Year	\$ 9,003,971	\$ 7,863,715	\$ 239,076	\$ 849,081	\$ 17,955,843

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

City of Mt. Shasta
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended June 30, 2019	Water	Sewer	Garbage	Drainage	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 641,265	\$ 1,306,661	\$ 627,353	\$ 26,155	\$ 2,601,434
Payments to suppliers	(380,818)	(731,401)	(696,148)	(39,094)	(1,847,461)
Payments to employees - including employee benefits	(127,482)	(173,746)	-	(16,030)	(317,258)
Net Cash Provided (Used) By Operating Activities	132,965	401,514	(68,795)	(28,969)	436,715
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from (paid to) other funds	(204,754)	204,754	-	-	-
Net Cash Provided (Used) By Noncapital Financing Activities	(204,754)	204,754	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants received	109,176	226,630	-	-	335,806
Purchase of fixed assets	(288,136)	(1,302,328)	-	(14,374)	(1,604,838)
Proceeds from debt acquisition	-	148,575	-	-	148,575
Principal payments on debt	-	(37,285)	-	-	(37,285)
Interest payments on debt	-	(35,877)	-	-	(35,877)
Net Cash Provided (Used) By Capital and Related Financing Activities	(178,960)	(1,000,285)	-	(14,374)	(1,193,619)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	21,809	2,090	3,091	1,542	28,532
Net Cash Provided (Used) By Investing Activities	21,809	2,090	3,091	1,542	28,532
Net Increase (Decrease) in Cash	(228,940)	(391,927)	(65,704)	(41,801)	(728,372)
Cash - Beginning of Year	1,004,822	391,927	272,211	133,962	1,802,922
Cash - End of Year	\$ 775,882	\$ -	\$ 206,507	\$ 92,161	\$ 1,074,550
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (173,573)	\$ 196,753	\$ (83,105)	\$ (50,247)	\$ (110,172)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	330,121	245,570	-	22,467	598,158
Changes in:					
Accounts receivable	3	(5,609)	3,754	(1,974)	(3,826)
Deferred outflows of resources related to pensions	9,006	9,104	-	249	18,359
Accounts payable	(36,658)	(28,547)	10,556	671	(53,978)
Accrued liabilities	(172)	1,849	-	297	1,974
Deposits	21,027	(715)	-	-	20,312
Compensated absences	(1,032)	(962)	-	-	(1,994)
Pension liability	(7,750)	(7,835)	-	(213)	(15,798)
Deferred inflows of resources related to pensions	(8,007)	(8,094)	-	(219)	(16,320)
Net Cash Provided (Used) By Operating Activities	\$ 132,965	\$ 401,514	\$ (68,795)	\$ (28,969)	\$ 436,715

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

City of Mt. Shasta
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2019	Beautification Endowment Fund	Public Works Reimbursable Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ 2,402	\$ 18,101	\$ 20,503
LIABILITIES			
Agency obligations	\$ 2,402	\$ 18,101	\$ 20,503

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

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mt. Shasta, California's (hereafter "the City") 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.

Reporting Entity The City operates under City Manager - City Council form of government and provides the following services: public safety, streets and roads, library, water, sewer, sanitation and drainage, 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.

Basis of Presentation The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the City's overall financial position and results of operations while maintaining the presentation of the financial position, results of operations and cash flows, as applicable, of the City's major funds.

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 water, sewer, garbage and drainage).

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.

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:

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 City reports the following major governmental fund:

General Fund: The 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 City reports the following major proprietary funds:

Enterprise Funds (Water, Sewer, Garbage, and Drainage): These 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.

Water Fund: 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.

Sewer Fund: 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.

Garbage Fund: Established to account for the operations of the City's garbage utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

Drainage Fund: Established to account for the operations of the City's drainage utility, a self-supporting activity which renders service on a user charge basis to residents and businesses within the City.

The City reports the following non-major funds:

Business Improvement Fund: Accounts for proceeds from special business improvement area tax funded through downtown City businesses that primarily provides parking.

Fire Assessment Fund: Established to account for fire suppression equipment acquisition, as financed by fire suppression assessments levied on property owners.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Development Impact Fund: Established to account for the collection of impact fees that are to ensure that new development projects contribute their share to the orderly development of infrastructure necessary to accommodate the anticipated growth of the community.

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.

Transportation Project Fund: Established to account for transportation projects funded through various funding sources. In the current year, this fund is recognizing the Safe Routes to School and Bicycling Transportation projects.

COPS Fund: Accounts for State public safety grant funded through the State of California.

Community Public Safety Enhancement Fund: Accounts for State public safety grant funded through the State of California.

Gas Tax 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.

Springhill Assessment Fund: Accounts for sewer main line trunk extension funded by property owners.

Community Development Program Income Fund: Accounts for the financing of home rehabilitation, job creation and retention, community public works and planning activities to support community and economic development as financed by monies passed through the State by the federal government.

Economic Enhancement Fund: Established to account from excess CDBG program income that would not be used for CDBG regulated expenditures. The de-federalized dollars are intended to be used to provide economic development within the City.

Special Projects Grant Fund: Established to account for the environmental assessments of Brownfield Sites funded through the U.S. Environmental Protection Agency.

Library Fund: Established to account for the operation of the City's Library which is funded through an additional .25% sales tax on sales within the city limits of Mt. Shasta.

Other Special Revenue Fund: Includes activity in the Beautification Projects, FEMA, and Fire Training funds.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Agency Funds Accounts for assets held by the City as a trustee or as an agent for individuals or other government units. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The City has two funds that are agency funds. The Beautification Endowment Fund accounts for donations from the public for city wide beautification projects. The Public Works Reimbursable Fund accounts for deposits from city residents for future public works projects.

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.

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. For this purpose, the City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. 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.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines and forfeitures, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include all taxes.

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 is a voluntary participant in the California Local Agency Investment Fund ("LAIF"). LAIF is an external investment pool through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without the loss of interest. The fair value of the City's portion of LAIF is materially equivalent to the 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. Management has determined all receivables are fully collectable be collectible.

Property Taxes The County of Siskiyou assesses, bills, and collects property taxes for the City. The County remits the property taxes to the City when the taxes are collected and the allocation has been determined. Property taxes attach as an enforceable lien as of January 1st and are due November 1 and February 1 (secured), and July 1 (unsecured).

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The *California Revenue and Taxation Code* allows counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Siskiyou County. The Teeter Plan payment is included in property tax revenue.

Interfund Receivables and Payables 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. Short-term activities are reported as due to/due from other funds. Long-term interfund loans are shown as advances to or advances from other funds in the government-wide financial statements.

Capital Assets The accounting treatment over 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.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In the government-wide financial statements, property, plant, equipment and infrastructure assets 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. Items with a cost of \$5,000 or more are accounted for as capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

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 plants	7 to 50 years
Buildings and improvements	5 to 35 years
Equipment, furnishings, and vehicles	3 to 35 years
Infrastructure	10 to 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.

Compensated Absences Vacation and accrued compensatory time off pay is vested to the employees as it accrues and is payable upon separation of service. Sick leave does not vest to the employees and is paid only when sick leave is taken. Therefore, only vacation and accrued compensatory time off pay has been accrued in the accompanying financial statements for proprietary and government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. However, if material, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the future. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the City's pension plans, City contributions subsequent to the measurement date, differences between expected and actual experience, differences due to changes in assumptions, differences due to differences in proportions, differences between projected and actual earnings on plan investments and differences between projected and actual contributions are reported as deferred outflows/inflows of resources in the government-wide statement of net position. City contributions subsequent to the measurement date will be amortized during the next fiscal year. Differences between expected and actual experience, changes in assumptions, differences in proportion, and differences between projection and actual contributions are amortized over the estimated service lives of the plan participants. Difference between projected and actual earnings on pension plan investments will be amortized over a five-year period.

Long-Term Liabilities In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period the debt is issued.

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to this liability, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's 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.

Unearned Revenue Unearned revenue consists of public works reimbursables, parking fees and business licenses paid in advance by the City's customers.

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

Net Investment in Capital Assets: Consists 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 improvements of those assets.

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

Unrestricted Net Position: Consists of all other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The government wide statement of net position reports \$2,406,887 of restricted net position, of which \$534,318 is restricted by enabling legislation.

Fund Balance Classifications 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 purpose 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) legally or contractually required to be maintained intact or (b) not in spendable form.

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 a debt covenant), grantors, contributors, or laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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.

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 delegation of this responsibility to the City Manager through the budgetary process.

Unassigned: This classification includes 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

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.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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.

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 level. Unused appropriations lapse at the end of the fiscal year. The City does not use encumbrance accounting.

2. CASH AND CASH EQUIVALENTS

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 quarterly to the various funds based on the same proportion that such funds bear to the total monies invested.

Cash and investments are classified in the accompanying financial statements as follows:

June 30, 2019

Statement of Net Position	\$	3,447,301
Statement of Fiduciary Net Position		20,503
Total Cash and Investments	\$	3,467,804

June 30, 2019

Cash on hand	\$	300
Deposits with financial institutions		1,788,678
LAIF		1,678,826
Total	\$	3,467,804

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(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 investment activities are conducted with financial institutions approved by the City Council.

Interest Rate Risk

While the City's investment policy does not address interest rate risk, the City manages its exposure to interest rate risks through reliance on the managers of the Local Agency Investment Fund (LAIF) for its investment in those funds and the Finance Director and City Treasurer for the City's investment in money market accounts and certificates of deposit.

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 or reporting unit.

Custodial Credit Risk

Custodial credit risk for 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 has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to 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. The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits.

City of Mt. Shasta

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the 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; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

The City's balance in banks was \$1,928,318, 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 \$1,788,678 because of outstanding checks.

Equity in Pooled Cash and Investment

The City invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through LAIF, a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the City's position in the pool is materially equivalent to the value of pool shares. LAIF is an unrated external investment pool.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2019, 1.77% of LAIF's investment portfolio was invested in structured notes and other asset backed securities. In addition, PIMA's weighted average maturities was 0.61 years at June 30, 2019. (Copies of a report of LAIF's investments may be obtained from the State Treasurer's Office; Local Agency Investment Fund; P.O. Box 942809; Sacramento, CA 94209-0001.)

3. RECEIVABLES

The following is the composition of loans receivable:

		Community Development Program Income Fund
June 30, 2019		
Mortgage loans	\$	729,655
Less allowance for bad debts		-
Total	\$	729,655

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. DUE TO / DUE FROM OTHER FUNDS AND OPERATING TRANSFERS IN/OUT

The following is a summary of the interfund receivables and payables:

June 30, 2019	Due From Other Funds	Due To Other Funds
General Fund	\$ 20,000	\$ -
Water Fund	204,754	-
Sewer Fund	-	204,754
Business Improvement Fund	-	20,000
Total	\$ 224,754	\$ 224,754

The General Fund receivable is a parking lot loan to the Business Improvement Fund. The Water Fund receivable is a cash advance to the Sewer Fund.

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

June 30, 2019	Transfers Out From:						Total Transfers In
	Gas Tax Fund	Local Transportation Fund	CDBG Fund	Economic Enhancement Fund	COPA Fund		
General Fund	\$ 22,350	\$ -	\$ -	\$ -	\$ 70,000	\$	92,350
Transportation Project Fund	-	11,769	-	-	-	-	11,769
Economic Enhancement Fund	-	-	22,683	-	-	-	22,683
Other Special Revenue Fund	-	-	-	10,000	-	-	10,000
Total Transfers Out	\$ 22,350	\$ 11,769	\$ 22,683	\$ 10,000	\$ 70,000	\$	136,802

All of the transfers were to pay for a fund's share of a project or activity that occurred in another fund.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. CAPITAL ASSETS

Capital asset activity was as follows:

Year Ended June 30, 2019	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets - Nondepreciable				
Land	\$ 747,310	\$ -	\$ -	\$ 747,310
Construction in progress	122,553	106,329	(34,807)	194,075
Total Capital Assets - Nondepreciable	869,863	106,329	(34,807)	941,385
Capital Assets - Depreciable				
Buildings and improvements	790,282	-	-	790,282
Equipment, furnishings, and vehicles	3,318,684	312,589	-	3,631,273
Infrastructure	23,294,571	394,395	34,807	23,723,773
Total Capital Assets - Depreciable	27,403,537	706,984	34,807	28,145,328
Less: Accumulated Depreciation				
Buildings and improvements	569,228	16,218	-	585,446
Equipment, furnishings, and vehicles	2,649,755	189,464	-	2,839,219
Infrastructure	16,416,540	594,895	-	17,011,435
Total Accumulated Depreciation	19,635,523	800,577	-	20,436,100
Total Capital Assets - Depreciable - Net	7,768,014	(93,593)	34,807	7,709,228
Subtotal - Governmental Activities	8,637,877	12,736	-	8,650,613
BUSINESS-TYPE ACTIVITIES				
Capital Assets - Nondepreciable				
Land	\$ 264,788	\$ -	\$ -	\$ 264,788
Construction in progress	1,798,304	1,580,651	-	3,378,955
Total Capital Assets - Nondepreciable	2,063,092	1,580,651	-	3,643,743
Capital Assets - Depreciable				
Buildings and improvements	697,429	9,762	-	707,191
Equipment, furnishings, and vehicles	874,052	-	-	874,052
Infrastructure	21,313,784	14,374	-	21,328,158
Total Capital Assets - Depreciable	22,885,265	24,136	-	22,909,401
Less: Accumulated Depreciation				
Buildings and improvements	214,376	14,956	-	229,332
Equipment, furnishings, and vehicles	516,385	22,085	-	538,470
Infrastructure	8,371,203	561,117	-	8,932,320
Total Accumulated Depreciation	9,101,964	598,158	-	9,700,122
Total Capital Assets - Depreciable - Net	13,783,301	(574,022)	-	13,209,279
Subtotal - Business-Type Activities	15,846,393	1,006,629	-	16,853,022
Total Government-Wide	\$ 24,484,270	\$ 1,019,365	\$ -	\$ 25,503,635

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions/programs as follows:

Year Ended June 30, 2019

Governmental Activities

General government	\$	19,023
Public safety		121,415
Public works - streets and roads		594,894
Public works - building and central garage		65,245

Total Depreciation Expense - Governmental Activities	\$	800,577
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Year Ended June 30, 2019

Business-Type Activities

Water	\$	330,121
Sewer		245,570
Drainage		22,467

Total Depreciation Expense - Business-Type Activities	\$	598,158
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6. LONG-TERM DEBT

Following is a summary of changes in long-term debt:

Year Ended June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Business-Type Activities					
Revenue bonds	\$ 1,027,696	\$ -	\$ 37,285	\$ 990,411	\$ 38,495
USDA loan	-	148,575	-	148,575	-
Total Business-Type Activities	\$ 1,027,696	\$ 148,575	\$ 37,285	\$ 1,138,986	\$ 38,495

The debt covenant requires the City to have a debt coverage ratio of 110%. As of June 30, 2019, the debt coverage ratio was approximately 140%. The City is therefore in compliance with all significant debt covenants.

Revenue Bonds

On July 1, 2008 an agreement was executed between California Infrastructure and Economic Development Bank and the City of Mt. Shasta for a loan of \$1,750,000. The loan is to be repaid over 30 years at an interest rate of 3.25% per annum. An interest-only period was in effect through July 31, 2009 with the first principal payment due August 1, 2009. The loan was for the construction of approximately 3,100 feet of 24 to 30 inch sewer main interceptor through Siskiyou Lake Highlands Subdivision, a residential area of the county. The project included constructing new and/or replacing an existing 12 inch interceptor main, the acquisition of permanent and construction easements, and the replacement of landscaping. There was no requirement for pledged revenue regarding this debt.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

USDA Loan

On May 9, 2019, an obligation of funds between the USDA Rural Development and the City of Mt. Shasta was entered to fund a sewer project called the Downtown Sewer Collection Project. The funding from USDA Rural Development includes a loan of \$1,309,000 and a grant of \$2,151,880. The debt was issued on August 28, 2019 and will mature on August 1, 2059. There is a required reserve of funds to equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for 10 years or until a total of \$51,065 has accumulated. Additionally, there is a required short-lived asset reserve of \$155,942 to be deposited yearly for the life of the loan to pay for repairs and/or replacement of major system assets. The construction for this project began before the end of fiscal year June 30, 2019 and had accumulated expenses of \$148,575 which were recorded as construction in progress and as loan payable in the sewer fund.

Debt service requirements for principal and interest for Business-type activities bonds and loans payable for future years is as follows:

Year Ending June 30	Sewer Loan		
	Principal	Interest	Total
2020	\$ 38,495	\$ 34,534	\$ 73,029
2021	39,746	33,147	72,893
2022	41,038	31,715	72,753
2023	42,372	30,237	72,609
2024	43,749	26,213	69,962
2025-2029	241,020	108,462	349,482
2030-2034	282,816	66,007	348,823
2035-2038	261,175	17,336	278,511
Total	\$ 990,411	\$ 347,651	\$ 1,338,062

7. COMPENSATED ABSENCES

Compensated absence activity is summarized as follows:

Year Ended June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities					
General Fund	\$ 153,057	\$ 80,505	\$ (75,740)	\$ 157,822	\$ 126,258
Business-Type Activities					
Water Fund	10,218	4,024	(5,056)	9,186	7,349
Sewer Fund	18,865	8,373	(9,335)	17,903	14,322
Total Business-Type Activities	29,083	12,397	(14,391)	27,089	21,671
Total	\$ 182,140	\$ 92,902	\$ (90,131)	\$ 184,911	\$ 147,929

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. PENSION PLANS

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (www.calpers.ca.gov).

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The passage of California State Assembly Bill 340 created the Public Employees' Pension Reform Act (PEPRA). PEPRA implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of a new member as per PEPRA. Employees enrolled in the Plan prior to January 1, 2013, are now referred to as Classic Plan members. Under PEPRA formula the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	52-67
Monthly benefits (as a % of eligible compensation)	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates 2018-19	7.000%	6.250%
Required employer contribution rates 2018-19	8.418%	6.534%

City of Mt. Shasta**NOTES TO THE FINANCIAL STATEMENTS**
(Continued)

Hire Date	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits (as a % of eligible compensation)	2.00%	2.0% to 2.7%
Required employee contribution rates 2018-19	9.000%	11.500%
Required employer contribution rates 2018-19	14.976%	11.990%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions recognized as part of pension expense for each Plan were as follows:

June 30, 2019	Miscellaneous		Safety	
Contributions - employer	\$	227,571	\$	194,273
Contributions - employee	\$	72,136	\$	87,694

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

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

June 30, 2019	Proportionate Share of Net Pension Liability	
Miscellaneous	\$	1,958,682
Safety		1,657,464
Total Net Pension Liability	\$	3,616,146

City of Mt. Shasta**NOTES TO THE FINANCIAL STATEMENTS****(Continued)**

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 of the Plans is measured as of June 30, 2019, 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, 2017 rolled forward to June 30, 2018 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 plans 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 June 30, 2018 and 2019 was as follows:

June 30, 2019	Miscellaneous	Safety
Proportion - June 30, 2018	0.05149%	0.02729%
Proportion - June 30, 2019	0.05197%	0.02825%
Change - Increase (Decrease)	0.00048%	0.00096%

For the year ended June 30, 2019, the City recognized net pension expense of \$34,334. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 110,763	\$ 25,708
Changes in assumptions	385,922	76,667
Change in employer's proportion	92,588	16,150
Difference between employer's actual contributions and employer's proportionate share of contributions	-	134,689
Net differences between projected and actual earnings on plan investments	20,905	-
Pension contributions made subsequent to the measurement date	436,230	-
Total	\$ 1,046,408	\$ 253,214

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The amount of \$436,230 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the miscellaneous and safety plans, respectively, will be recognized as reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plans will be recognized as pension expense as follows:

Year Ending June 30

2019	\$	313,720
2020		176,830
2021		(104,488)
2022		(29,098)
Thereafter		-
Total	\$	356,964

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined for Miscellaneous Classic and PEPR, Safety Police and Safety Fire plans using the following actuarial assumptions:

June 30, 2019	Miscellaneous	Safety
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll growth	3.00%	3.00%
Projected salary increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment rate of return	7.5% (2)	7.5% (2)
Mortality	20	20

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, CalPERS believes the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations. CalPERS will continue to check the materiality of the difference in calculation until such time the methodology is changed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Asset Class			
Global equity	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%
Inflation and forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

*An expected inflation of 2.5% used for this period.

**An expected inflation of 3.0% used for this period.

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:

	Miscellaneous	Safety
1% decrease	6.15%	0.03%
Net pension liability	\$ 3,089,701	\$ 3,609,365
Current discount rate	7.15%	7.15%
Net pension liability	\$ 1,958,682	\$ 1,657,464
1% increase	8.15%	8.15%
Net pension liability	\$ 1,025,045	\$ 877,553

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. FUND BALANCE/NET POSITION

The following table provides details of the Fund Balance classifications used in the Balance Sheet of the governmental funds

June 30, 2019	General Fund	Special Revenue Fund	Total
Nonspendable For:			
Prepaid expenses and parking lot loan	\$ 40,925	\$ -	\$ 40,925
Nonspendable Fund Balance	\$ 40,925	\$ -	\$ 40,925
Restricted For:			
Police	\$ -	\$ 176,696	\$ 176,696
Fire	-	82,505	82,505
Sewer assessment	-	138,707	138,707
Community development	-	146,155	146,155
Community development loans receivable	-	729,655	729,655
Streets and road	-	546,652	546,652
Library	-	93,884	93,884
Restricted Fund Balance	\$ -	\$ 1,914,254	\$ 1,914,254
Committed For:			
Capital assets	\$ 146,368	\$ -	\$ 146,368
Committed Fund Balance	\$ 146,368	\$ -	\$ 146,368
Assigned For:			
Library capital projects	\$ -	\$ 387,950	\$ 387,950
Assigned Fund Balance	\$ -	\$ 387,950	\$ 387,950

The restricted net position in Water and Sewer Funds are restricted for capital system improvements.

10. INSURANCE

The City belongs to a joint power authority called Small Cities Organized Risk Effort (SCORE). The cities in SCORE are involved in a program whereby they share risk for general liability, workers compensation, and employment practices to limits of \$25,000,000 for general liability, \$100,000,000 for workers compensation, and \$1,000,000 for employment practices. Each City has a self-insured retention (SIR) of \$25,000 in a banking plan. Losses above the SIR are covered under the program risk sharing provisions up to \$500,000 for liability, or \$150,000 for workers compensation. Beyond these limits, coverage is provided by larger joint powers authorities: *California Joint Powers Risk Management Authority (CJPRMA)*, *Local Agencies Excess Workers Compensation Excess Joint Powers Authority (LAWCX)*, and *Employment Risk Management Authority (ERMA)* through a combination of self-insurance and/or reinsurance to the maximum limits. There has been no significant reduction in any of the, insurance coverages from the prior year.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The City uses the "general fund" method to account for the costs of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2019, is dependent on future developments, City management believes that the aggregate premiums paid to the JPA are adequate to cover the City's losses through June 30, 2019, including incurred but not reported claims (IBNRs). Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years. Claims paid for the workers' compensation and general liability programs for the fiscal year ended June 30, 2019, were \$85,766 and \$33,669, respectively. As of June 30, 2019, SCORE reported that the City had a surplus in the workers' compensation program of \$87,270 and in the general liability program of \$76,356. The City has not recorded these amounts in the financial statements.

11. CONTINGENT LIABILITIES

The City is involved in certain claims and lawsuits. In the opinion of the City's management, it is unlikely that these claims and lawsuits will have a material adverse effect on the accompanying financial statements.

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City management expects such amounts, if any to be immaterial.

The Sewer Fund has deposits collected in prior years for prepaid sewer connections. The landowners who purchased connections before March 31, 1991 do not have to pay the difference between the prepaid connection cost and the current cost of construction. Therefore, the City will be liable for any costs over the amount that was prepaid. As of June 30, 2019 there are 105 connections that were purchased before March 31, 1991. The dollar amount of the potential excess costs to be incurred by the City is undeterminable.

12. DEFICIT FUND BALANCE

The Other Special Revenue Fund had a deficit fund balance at June 30, 2019 of \$305. The City expects this to be resolved with normal operations.

13. PRIOR PERIOD ADJUSTMENT

During the current year, the City identified an error in the previously issued financial statements, resulting in prior period adjustments. In prior years, various amounts for construction in progress in proprietary funds had been expensed when they should have been capitalized. The effect of this correction is reported as an increase to both beginning net position and construction in progress in the water and sewer funds in the amounts of \$64,144 and \$295,073, respectively. This correction had no effect on the change in net position for the current year and the effect of the change on the change in net position for the prior year could not be determined.

City of Mt. Shasta
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14. SUBSEQUENT EVENT

Subsequent to the measurement date of June 30, 2019, the City had the following events:

The City entered into an agreement on October 3, 2019 with Municipal Assurance Corporation for the financing of \$4,315,000 of Series 2019 Revenue Bonds. The bonds will bear an interest rates as specified in the maturity schedule ranging from 2.625% to 4.000% and will be payable semi-annually commencing February 1, 2020.

A portion of the proceeds of the Bonds will be used to acquire, construct and equip a new garage at the City's corporate yard as well as certain energy efficient equipment. Another portion will be used to acquire, construct and equip the Wastewater Project which consists of certain energy efficient equipment located at the City's wastewater Treatment Plant. The third portion of the proceeds of the Bonds will refinance an obligation of the City under an installment sale agreement between the City and the California Infrastructure and Economic Development Bank, dated July 1, 2008.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

City of Mt. Shasta
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended June 30, 2019	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 516,000	\$ 516,000	\$ 550,975	\$ 34,975
Sales and use taxes	1,641,550	1,641,550	1,688,181	46,631
Transient occupancy tax	751,000	768,000	821,454	53,454
Franchises	72,000	72,000	69,829	(2,171)
Licenses and permits	35,200	41,200	34,878	(6,322)
Intergovernmental revenues	4,000	61,893	84,795	22,902
Charges for services	242,100	273,300	234,249	(39,051)
Fines, forfeitures, and penalties	21,500	21,500	11,560	(9,940)
Use of money and property	6,750	26,750	23,774	(2,976)
Other	363,800	368,800	48,814	(319,986)
Total Revenues	3,653,900	3,790,993	3,568,509	(222,484)
Expenditures				
Current:				
City council	22,230	24,230	25,122	(892)
City administration	186,575	186,975	138,173	48,802
City clerk	22,229	14,229	9,558	4,671
Finance and personnel	389,292	389,607	184,773	204,834
City attorney	32,000	51,000	63,621	(12,621)
Fire protection	638,360	715,446	719,161	(3,715)
Police protection	828,893	912,893	915,042	(2,149)
Public safety dispatching	264,053	266,268	258,489	7,779
Animal regulation	45,664	43,664	37,381	6,283
Planning	182,133	150,133	132,051	18,082
Public works - administration	113,580	113,580	58,438	55,142
Public works - streets & roads	329,985	329,985	393,352	(63,367)
Public works - building & grounds	215,211	218,331	314,246	(95,915)
Insurance	148,275	148,075	140,890	7,185
Community development	120,744	122,744	139,862	(17,118)
Other	206,719	216,634	193,791	22,843
Capital outlay	58,500	81,594	47,894	33,700
Total Expenditures	3,804,443	3,985,388	3,771,844	213,544
Excess of Revenues Over (Under) Expenditures	(150,543)	(194,395)	(203,335)	(8,940)
Other Financing Sources (Uses)				
Operating transfers in	95,000	95,000	92,350	(2,650)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (55,543)	\$ (99,395)	\$ (110,985)	\$ (11,590)

City of Mt. Shasta

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Safety Plan	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Plan's proportion of the net pension liability	0.01515%	0.01482%	0.01618%	0.01644%	0.01720%
Plan's proportionate share of the net pension liability	\$ 942,673	\$ 1,016,891	\$ 1,400,398	\$ 1,630,608	\$ 1,657,464
Plan's covered-employee payroll (2)	\$ 472,048	\$ 485,650	\$ 684,381	\$ 703,550	\$ 665,025
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.70%	209.39%	204.62%	231.77%	249.23%
Plan proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	82.12%	81.20%	76.32%	75.06%	76.00%
Plan's proportionate share of aggregate employer contributions (3, 4)	\$ 122,578	\$ 149,380	\$ 155,959	\$ 169,353	\$ 221,376
Miscellaneous Plan					
Plan's proportion of the net pension liability	2.16200%	0.19960%	0.02050%	0.02047%	0.02033%
Plan's proportionate share of the net pension liability	\$ 1,345,361	\$ 1,370,317	\$ 1,773,993	\$ 2,029,717	\$ 1,958,682
Plan's covered-employee payroll (2)	\$ 923,716	\$ 1,018,799	\$ 1,027,593	\$ 1,046,326	\$ 1,105,595
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.65%	134.50%	172.64%	193.99%	177.16%
Plan proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	80.19%	80.87%	76.31%	74.94%	76.57%
Plan's proportionate share of aggregate employer contributions (3, 4)	\$ 147,231	\$ 200,399	\$ 212,788	\$ 229,661	\$ 243,876

See the accompanying notes to the required supplementary information.

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

(2) Covered-Employee Payroll presented above uses pensionable earnings provided by the employer as its basis. However, GASB 68 defines covered-employee payroll as the total payroll of employees with pensions from the pension plan. Accordingly, if pensionable earnings are different from total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

(3) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plans proportionate share of aggregate contributions uses the plan's proportion of fiduciary net position shown on line 5 of the table above as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

(4) 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 Plan's pension expense.

City of Mt. Shasta
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

Safety Plan	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Actuarially determined contribution	\$ 85,330	\$ 105,329	\$ 109,327	\$ 149,230	\$ 25,083
Contributions in relation to the actuarially determined contribution	(85,330)	(105,329)	(109,327)	(149,230)	(25,083)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll (2)	\$ 472,018	\$ 485,650	\$ 684,381	\$ 703,550	\$ 665,025
Contributions as a percentage of covered-employee payroll	18.08%	21.69%	15.97%	21.21%	3.77%
Miscellaneous Plan					
Actuarially determined contribution	\$ 120,254	\$ 160,146	\$ 169,978	\$ 177,661	\$ 195,581
Contributions in relation to the actuarially determined contribution	(120,254)	(160,146)	(169,978)	(177,661)	(195,581)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll (2)	\$ 923,716	\$ 1,018,799	\$ 1,027,593	\$ 1,046,326	\$ 1,105,595
Contributions as a percentage of covered-employee payroll	13.02%	15.72%	16.54%	16.98%	17.69%

See the accompanying notes to the required supplementary information.

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

(2) Covered-Employee Payroll presented above uses pensionable earnings provided by the employer as its basis. However, GASB 68 defines covered-employee payroll as the total payroll of employees with pensions from the pension plan. Accordingly, if pensionable earnings are different from total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

SUPPLEMENTARY INFORMATION

City of Mt. Shasta

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019	Business Improvement Fund	Fire Assessment Fund	Development Impact Fund	Local Transportation Fund	Transportation Project Fund	COPS Fund	Community Public Safety Enhancement Fund	Gas Tax Fund	Balance Forward
ASSETS									
Cash and Investments	\$ 59,194	\$ 71,285	\$ 27,452	\$ 275,641	\$ 1,160	\$ 149,425	\$ 27,271	\$ 115,806	\$ 727,234
Receivables - net of allowances for bad debts, where applicable:									
Loans	-	-	-	-	-	-	-	-	-
Interest	193	-	87	860	-	-	-	357	1,497
Taxes, TOT and sales	-	-	-	-	-	-	-	-	-
Intergovernmental	-	11,220	-	5,187	-	-	-	11,107	27,514
TOTAL ASSETS	\$ 59,387	\$ 82,505	\$ 27,539	\$ 281,688	\$ 1,160	\$ 149,425	\$ 27,271	\$ 127,270	\$ 756,245
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418	\$ 560
Due to other funds	20,000	-	-	-	-	-	-	-	20,000
Unearned revenue	4,907	-	-	-	-	-	-	-	4,907
Total Liabilities	25,049	-	-	-	-	-	-	418	25,467
Fund Balances (Deficit)									
Restricted	34,338	82,505	27,539	281,688	1,160	149,425	27,271	126,852	730,778
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	34,338	82,505	27,539	281,688	1,160	149,425	27,271	126,852	730,778
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,387	\$ 82,505	\$ 27,539	\$ 281,688	\$ 1,160	\$ 149,425	\$ 27,271	\$ 127,270	\$ 756,245

City of Mt. Shasta

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

(Continued)

June 30, 2019		Community Development					Other Special Revenue Fund	Total
		Balance Brought Forward	Springhill Assessment Fund	Program Income Fund	Economic Enhancement Fund	Special Projects Grant Fund	Library Fund	
ASSETS								
Cash and investments	\$	727,234	\$ 138,268	\$ 146,291	\$ 66,234	\$ 25,960	\$ 438,451	\$ 1,542,953
Receivables - net of allowances for bad debts, where applicable:								
Loans		-	-	729,655	-	-	-	729,655
Interest		1,497	439	514	-	-	1,425	3,875
Taxes, TOT and sales intergovernmental		-	-	-	-	-	51,799	51,799
		27,514	-	-	-	4,954	-	32,468
TOTAL ASSETS	\$	756,245	\$ 138,707	\$ 876,460	\$ 66,234	\$ 30,914	\$ 491,675	\$ 2,360,750
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable		560	-	650	1,159	20,914	9,841	33,944
Due to other funds		20,000	-	-	-	-	-	20,000
Unearned revenue		4,907	-	-	-	-	-	4,907
Total Liabilities		25,467	-	650	1,159	20,914	9,841	58,851
Fund Balances (Deficit)								
Restricted		730,778	138,707	875,810	65,075	10,000	93,884	1,914,254
Assigned		-	-	-	-	-	387,950	387,950
Unassigned		-	-	-	-	-	(305)	(305)
Total Fund Balances (Deficit)		730,778	138,707	875,810	65,075	10,000	481,834	2,301,899
TOTAL LIABILITIES AND FUND BALANCES	\$	756,245	\$ 138,707	\$ 876,460	\$ 66,234	\$ 30,914	\$ 491,675	\$ 2,360,750

City of Mt. Shasta

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019	Business Improvement Fund	Fire Assessment Fund	Development Impact Fund	Local Transportation Fund	Transportation Project Fund	COPS Fund	Community Public Safety Enhancement Fund	Gas Tax Fund	Balance Forward
Revenues									
Sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100,048	100,048
Assessments	13,710	253,437	5,609	-	-	-	-	-	272,756
Intergovernmental revenues	-	-	-	125,733	385,603	149,048	-	62,240	722,624
Use of money and property	586	564	295	1,464	-	-	-	1,275	4,184
Other revenue	-	2,551	-	-	-	-	100	-	2,651
Total Revenues	14,296	256,552	5,904	127,197	385,603	149,048	100	163,563	1,102,263
Expenditures									
Current:									
Police protection	-	-	-	-	-	32,960	2,068	-	35,028
Public works - streets & roads	-	-	-	-	-	-	-	203,112	203,112
Public transportation	-	-	-	86,438	-	-	-	-	86,438
Community development	1,343	-	-	-	-	-	-	-	1,343
Library	-	-	-	-	-	-	-	-	-
Capital outlay	-	207,775	-	-	394,395	56,920	-	2,144	661,234
Debt service:									
Interest	556	-	-	-	-	-	-	-	556
Total Expenditures	1,899	207,775	-	86,438	394,395	89,880	2,068	205,256	987,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,397	48,777	5,904	40,759	(8,792)	59,168	(1,968)	(41,693)	114,552
Other Financing Sources (Uses)									
Operating transfers in	-	-	-	-	11,769	-	-	-	11,769
Operating transfers out	-	-	-	(11,769)	-	(70,000)	-	(22,350)	(104,119)
Total Other Financing Sources (Uses)	-	-	-	(11,769)	11,769	(70,000)	-	(22,350)	(92,350)
Net Change in Fund Balances	12,397	48,777	5,904	28,990	2,977	(10,832)	(1,968)	(64,043)	22,202
Fund Balances (Deficit) - Beginning of Year	21,941	33,728	21,635	252,698	(1,817)	160,257	29,239	190,895	708,576
Fund Balances (Deficit) - End of Year	\$ 34,338	\$ 82,505	\$ 27,539	\$ 281,688	\$ 1,160	\$ 149,425	\$ 27,271	\$ 126,852	\$ 730,778

City of Mt. Shasta
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
(Continued)

	Balance Brought Forward	Springhill Assessment Fund	Community Development Program Income Fund	Economic Enhancement Fund	Special Projects Grant Fund	Library Fund	Other Special Revenue Fund	Total
Revenues								
Sales and use taxes	\$ 100,048	\$ -	\$ -	\$ -	\$ -	\$ 280,309	\$ -	\$ 380,357
Assessments	272,756	-	-	-	-	-	-	272,756
Intergovernmental revenues	722,624	-	20,612	-	100,534	-	-	843,770
Use of money and property	4,184	1,620	2,071	2,220	-	5,334	223	15,652
Other revenue	2,651	-	-	-	-	-	-	2,651
Total Revenues	1,102,263	1,620	22,683	2,220	100,534	285,643	223	1,515,186
Expenditures								
Current:								
Police protection	35,028	-	-	-	-	-	-	35,028
Public works - streets & roads	203,112	-	-	-	-	-	-	203,112
Public transportation	86,438	-	-	-	115,605	-	-	202,043
Community development	1,343	-	63,758	82,912	-	-	7,690	155,703
Library	-	-	-	-	-	204,296	-	204,296
Capital outlay	661,234	-	-	-	-	104,185	-	765,419
Debt service:								
Interest	556	-	-	-	-	-	-	556
Total Expenditures	987,711	-	63,758	82,912	115,605	308,481	7,690	1,566,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,552	1,620	(41,075)	(80,692)	(15,071)	(22,838)	(7,467)	(50,971)
Other Financing Sources (Uses)								
Operating transfers in	11,769	-	-	22,683	-	-	10,000	44,452
Operating transfers out	(104,119)	-	(22,683)	(10,000)	-	-	-	(136,802)
Total Other Financing Sources (Uses)	(92,350)	-	(22,683)	12,683	-	-	10,000	(92,350)
Net Change in Fund Balances	22,202	1,620	(63,758)	(68,009)	(15,071)	(22,838)	2,533	(143,321)
Fund Balances (Deficit) - Beginning of Year	708,576	137,087	939,568	133,084	25,071	504,672	(2,838)	2,445,220
Fund Balances (Deficit) - End of Year	\$ 730,778	\$ 138,707	\$ 875,810	\$ 65,075	\$ 10,000	\$ 481,834	\$ (305)	\$ 2,301,899

OTHER SCHEDULES AND REPORTS



CPAs & Advisors

**INDEPENDENT AUDITORS' 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**

To the City Council
City of Mt. Shasta, California

We 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 Mt. Shasta as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Mt. Shasta, California's basic financial statements, and have issued our report thereon dated January 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mt. Shasta, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mt. Shasta, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mt. Shasta, 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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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***
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mt. Shasta, California's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

AGT CPAs & Advisors

AGT CPAs & Advisors
Mt. Shasta, California
January 22, 2020

City of Mt. Shasta

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

SUMMARY OF PRIOR AUDIT FINDINGS

2018-001 - AUDIT ADJUSTMENTS

Condition During our audit of the current year, we identified several audit adjustments that were material to the financial statements and which were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles. While other year-end adjustments were identified by the City's internal control, these adjustments were not identified through internal controls.

Criteria All City financial documents should be final and reconciled before the audit begins. All adjustments necessary for financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles should be identified and posted by the City.

Cause The City did not identify or did not post material closing or correcting entries for the year under audit.

Effect Financial statements which are not in conformity with generally accepted accounting principles could have been prepared and distributed.

Recommendation We recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in accordance with generally accepted accounting principles be identified and posted prior to the start of the audit.

Response City of Mt. Shasta, California agrees with the finding and recommended procedures will be implemented.

Update This is no longer a finding.