

BASIC FINANCIAL STATEMENTS

CITY OF ETNA
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 203,320	\$ 874,301	\$ 1,077,621
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	37,695	37,695
Loans	2,067,786	-	2,067,786
Intergovernmental	557,276	5,802	563,078
Assessments and other	84,994	-	84,994
Prepaid expenses	5,386	-	5,386
Restricted assets:			
Receivables, special assessments, net	-	411,056	411,056
Capital assets:			
Non-depreciable	680,837	340,738	1,021,575
Depreciable, net	2,825,538	2,816,880	5,642,418
Total capital assets, net	<u>3,506,375</u>	<u>3,157,618</u>	<u>6,663,993</u>
Total assets	<u>\$ 6,425,137</u>	<u>\$ 4,486,472</u>	<u>\$ 10,911,609</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	56,360	11,342	67,702
OPEB related deferred outflows	11,099	3,799	14,898
Total deferred outflows of resources	<u>67,459</u>	<u>15,141</u>	<u>82,600</u>
LIABILITIES			
Accounts payable	\$ 558,511	\$ 14,778	\$ 573,289
Unearned revenue, special assessments	-	411,056	411,056
Unearned revenue, grants	-	8,341	8,341
Deposits	10,000	8,528	18,528
Accrued liabilities	28,159	1,766	29,925
Noncurrent liabilities:			
Compensated absences, due in more than one year	23,022	11,278	34,300
Net pension liability	285,947	42,619	328,566
Total OPEB liability	123,183	50,526	173,709
Due within one year	-	20,600	20,600
Due in more than one year	-	313,700	313,700
Total liabilities	<u>1,028,822</u>	<u>883,192</u>	<u>1,912,014</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	16,715	5,820	22,535
OPEB related deferred inflows	9,651	3,303	12,954
Total deferred inflows of resources	<u>26,366</u>	<u>9,123</u>	<u>35,489</u>
NET POSITION			
Net investment in capital assets	3,506,375	3,157,618	6,663,993
Unrestricted	<u>1,931,033</u>	<u>451,680</u>	<u>2,382,713</u>
Total net position	<u>\$ 5,437,408</u>	<u>\$ 3,609,298</u>	<u>\$ 9,046,706</u>

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

CITY OF ETNA
Statement of Activities
For The Year Ended June 30, 2020

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 219,322	\$ 140	\$ -	\$ -	\$ (219,182)	\$ -	\$ (219,182)
Public works	164,028	-	62,035	198,845	96,852	-	96,852
Public safety	948,907	397,457	227,195	-	(324,255)	-	(324,255)
Recreation services	112,100	14,616	-	-	(97,484)	-	(97,484)
Community development	59,783	-	-	239,081	179,298	-	179,298
Total governmental activities	1,504,140	412,213	289,230	437,926	(364,771)	-	(364,771)
Business-type activities:							
Water	204,862	183,982	-	-	-	(20,880)	(20,880)
Sewer	235,299	206,080	-	-	-	(29,219)	(29,219)
Total business-type activities	440,161	390,062	-	-	-	(50,099)	(50,099)
Total primary government	\$ 1,944,301	\$ 802,275	\$ 289,230	\$ 437,926	(364,771)	(50,099)	(414,870)
General revenues:							
Taxes:							
Property					194,015	-	194,015
Sales					94,472	-	94,472
Transient occupancy taxes					9,932	-	9,932
Franchise and other taxes					10,069	-	10,069
Investment earnings					27,546	19,969	47,515
Other					40,820	-	40,820
Transfers					(340,686)	340,686	-
Total general revenues and transfers					36,168	360,655	396,823
Change in net position					(328,603)	310,556	(18,047)
Net position, beginning, as previously reported					5,823,050	3,309,493	9,132,543
Prior period adjustment					(57,039)	(10,751)	(67,790)
Net position, beginning restated					5,766,011	3,298,742	9,064,753
Net position, ending					\$ 5,437,408	\$ 3,609,298	\$ 9,046,706

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

CITY OF ETNA
Balance Sheet
and
Reconciliation of Total Governmental Fund Balance to the Statement of Net Position - Governmental Activities
Governmental Funds
June 30, 2020

	Special Revenue Funds					Total Governmental Funds
	General Fund	Community Development Project Income Fund	COPS Fund	STIP Project Fund	Other Governmental Funds	
ASSETS						
Cash and investments	\$ -	\$ -	\$ 81,705	\$ -	\$ 121,615	\$ 203,320
Receivables (net of allowance for bad debts, where applicable):						
Loans	-	2,067,786	-	-	-	2,067,786
Intergovernmental	121,900	239,081	-	195,181	1,114	557,276
Assessments and other	84,994	-	-	-	-	84,994
Prepaid expenses	5,386	-	-	-	-	5,386
Total assets	\$ 212,280	\$ 2,306,867	\$ 81,705	\$ 195,181	\$ 122,729	\$ 2,918,762
LIABILITIES						
Liabilities:						
Accounts payable	\$ 71,383	\$ 292,714	\$ 1,822	\$ 192,592	\$ -	\$ 558,511
Accrued liabilities	26,017	164	1,787	-	191	28,159
Deposits	10,000	-	-	-	-	10,000
Total liabilities	107,400	292,878	3,609	192,592	191	596,670
FUND BALANCES (DEFICIT)						
Non-spendable:						
Noncurrent receivables	-	2,067,786	-	-	-	2,067,786
Prepaid expenses	5,386	-	-	-	-	5,386
Restricted for:						
Police	-	-	78,096	-	-	78,096
Street and roads	-	-	-	2,589	121,129	123,718
Water	-	-	-	-	1,409	1,409
Unassigned balance (deficit)	99,494	(53,797)	-	-	-	45,697
Total fund balances	104,880	2,013,989	78,096	2,589	122,538	2,322,092
Total liabilities and fund balances	\$ 212,280	\$ 2,306,867	\$ 81,705	\$ 195,181	\$ 122,729	\$ 2,918,762
Total governmental fund balance, as above						\$ 2,322,092
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						3,506,375
Deferred outflows are not payable or expensed in the current period and therefore are not reported on the balance sheet						67,459
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet						(285,947)
Long-term compensated absences in governmental activities are not due and payable in the current period and therefore are not reported in the balance sheet						(23,022)
OPEB liabilities are not due and payable in the current period and therefore are not reported on the balance sheet						(123,183)
Deferred inflows are not receivable or due and payable in the current period and therefore are not reported on the balance sheet						(26,366)
Net position of governmental activities						<u>\$ 5,437,408</u>

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

CITY OF ETNA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2020

	Special Revenue Funds					Total Governmental Funds
	General Fund	Community Development Project Income Fund	COPS Fund	STIP Project Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 194,015	\$ -	\$ -	\$ -	\$ -	\$ 194,015
Sales and use taxes	94,472	-	-	-	-	94,472
Transient occupancy taxes	9,932	-	-	-	-	9,932
Franchise and other taxes	10,069	-	-	-	-	10,069
Licenses and permits	4,558	-	-	-	-	4,558
Intergovernmental revenues	26,539	239,081	155,948	198,845	47,286	667,699
Covid-19 relief funds	59,457	-	-	-	-	59,457
Charges for services	412,213	-	-	-	-	412,213
Fines, forfeitures and penalties	695	-	-	-	-	695
Use of money and property	10,485	14,100	217	-	2,744	27,546
Other	35,567	-	-	-	-	35,567
Total revenues	858,002	253,181	156,165	198,845	50,030	1,516,223
EXPENDITURES						
Current:						
City council	1,108	-	-	-	-	1,108
City clerk and administration	156,687	-	-	-	-	156,687
Insurance	17,918	-	-	-	-	17,918
Police protection	282,299	-	128,162	-	-	380,461
Ambulance service	347,330	-	-	-	-	347,330
Fire protection	75,632	-	-	-	-	75,632
Public works - buildings & grounds	23,333	-	-	-	-	23,333
Public works - streets & roads	45,827	-	-	-	25,872	71,699
Community development	29,363	22,414	-	-	-	51,777
Parks, recreation and culture	72,034	-	-	-	-	72,034
Public transportation	-	-	-	-	18,127	18,127
Capital outlay	-	-	-	198,409	-	198,409
Total expenditures	1,031,531	22,414	128,162	198,409	43,999	1,424,515
Excess of revenues over (under) expenditures	(173,529)	230,767	28,003	436	6,031	91,708
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1	-	-	-	-	1
Operating/Capital transfers (out)	-	(340,687)	-	-	-	(340,687)
Total other financing sources (uses)	1	(340,687)	-	-	-	(340,686)
Excess of revenues and other sources over (under) expenditures and other sources (uses)	(173,528)	(109,920)	28,003	436	6,031	(248,978)
FUND BALANCE						
Beginning of year, as previously reported	326,709	2,123,909	58,831	2,153	116,507	2,628,109
Prior period adjustment	(48,301)	-	(8,738)	-	-	(57,039)
Beginning of the year, restated	278,408	2,123,909	50,093	2,153	116,507	2,571,070
End of year	\$ 104,880	\$ 2,013,989	\$ 78,098	\$ 2,589	\$ 122,538	\$ 2,322,092

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

CITY OF ETNA
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance, Governmental Funds, to the Statement of Activities
Governmental Activities
For The Year Ended June 30, 2020

Change in fund balance, governmental funds	\$ (248,978)				
Amounts reported for governmental activities in the statement of activities is different because:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="padding-left: 20px;">Capital outlay expenditures</td> <td style="text-align: right;">198,409</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(185,299)</td> </tr> </table>	Capital outlay expenditures	198,409	Depreciation	(185,299)
Capital outlay expenditures	198,409				
Depreciation	(185,299)				
Governmental funds do not report the change in long-term compensated absences as an expenditure, but it is reported in the Statement of Activities.	(3,562)				
Governmental funds do not report the increase of OPEB liabilities as an expenditure, but it is reported in the Statement of Activities.	(13,426)				
Governmental funds do not report the decrease of unfunded pension obligations as a revenue, but it is reported in the Statement of Activities	<u>(75,747)</u>				
Change in net position of governmental activities	<u><u>\$ (328,603)</u></u>				

CITY OF ETNA
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 401,855	\$ 472,446	\$ 874,301
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	20,998	16,697	37,695
Intergovernmental	-	5,802	5,802
Restricted assets:			
Receivables, special assessments, net	-	411,056	411,056
Capital assets:			
Non-depreciable	332,153	8,585	340,738
Depreciable, net	2,033,642	783,238	2,816,880
Total capital assets, net	<u>2,365,795</u>	<u>791,823</u>	<u>3,157,618</u>
Total assets	<u>2,788,648</u>	<u>1,697,824</u>	<u>4,486,472</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows	5,843	5,499	11,342
OPEB related deferred outflows	2,458	1,341	3,799
Total deferred outflows of resources	<u>8,301</u>	<u>6,840</u>	<u>15,141</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 8,743	\$ 6,035	14,778
Unearned revenue, special assessments	-	411,056	411,056
Unearned revenue, grants	8,341	-	8,341
Deposits	8,528	-	8,528
Accrued liabilities	1,239	527	1,766
Noncurrent liabilities:			
Compensated absences, due in more than one year	7,812	3,466	11,278
Net pension liability	21,953	20,666	42,619
Total OPEB liability	26,586	23,940	50,526
Due within one year	-	20,600	20,600
Due in more than one year	-	313,700	313,700
Total liabilities	<u>83,202</u>	<u>799,990</u>	<u>883,192</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows	2,998	2,822	5,820
OPEB related deferred inflows	2,137	1,166	3,303
Total deferred inflows of resources	<u>5,135</u>	<u>3,988</u>	<u>9,123</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,365,795	791,823	3,157,618
Unrestricted	<u>342,817</u>	<u>108,863</u>	<u>451,680</u>
Total net position	<u>\$ 2,708,612</u>	<u>\$ 900,686</u>	<u>\$ 3,609,298</u>

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

CITY OF ETNA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2020

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>REVENUES</u>			
User fees and charges	\$ 183,982	\$ 206,080	\$ 390,062
Total operating revenues	<u>183,982</u>	<u>206,080</u>	<u>390,062</u>
<u>OPERATING EXPENSES</u>			
Cost of power and water	3,093	4,100	7,193
Maintenance, operations and administration	122,603	143,367	265,970
Depreciation and amortization	70,916	65,292	136,208
Bad debt expense	8,250	6,750	15,000
Total operating expenses	<u>204,862</u>	<u>219,509</u>	<u>424,371</u>
Operating income (loss)	<u>(20,880)</u>	<u>(13,429)</u>	<u>(34,309)</u>
<u>OTHER REVENUES (EXPENSES)</u>			
Interest earned	9,563	10,406	19,969
Interest expense	-	(15,790)	(15,790)
Total other revenues (expenses)	<u>9,563</u>	<u>(5,384)</u>	<u>4,179</u>
Net income (loss) before transfers	<u>(11,317)</u>	<u>(18,813)</u>	<u>(30,130)</u>
<u>TRANSFERS</u>			
Capital/Operating transfers in (out)	<u>340,686</u>	-	<u>340,686</u>
Change in net position	329,369	(18,813)	310,556
<u>NET POSITION</u>			
Beginning of year, as previously reported	2,384,781	924,712	3,309,493
Prior period adjustment	(5,538)	(5,213)	(10,751)
Beginning of year, restated	<u>2,379,243</u>	<u>919,499</u>	<u>3,298,742</u>
End of year	<u>\$2,708,612</u>	<u>\$ 900,686</u>	<u>\$3,609,298</u>

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

CITY OF ETNA
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 197,989	\$ 229,015	\$ 427,004
Payments to suppliers	(41,919)	(52,790)	(94,709)
Payments to employees	(76,456)	(93,277)	(169,733)
Net cash provided (used) by operating activities	<u>79,614</u>	<u>82,948</u>	<u>162,562</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Other revenue	-	(19,544)	(19,544)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(19,544)</u>	<u>(19,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>9,563</u>	<u>10,406</u>	<u>19,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(502,423)	-	(502,423)
Capital transfers from other funds	340,686	-	340,686
Principal payments on debt	-	(19,400)	(19,400)
Interest payments on debt	-	(15,790)	(15,790)
Net cash (used) by financing activities	<u>(161,737)</u>	<u>(35,190)</u>	<u>(196,927)</u>
Net increase (decrease) in cash	(72,560)	38,620	(33,940)
CASH			
Beginning of year	<u>474,415</u>	<u>433,826</u>	<u>908,241</u>
End of year	<u>\$ 401,855</u>	<u>\$ 472,446</u>	<u>\$ 874,301</u>
Reconciliation of operating income to cash provided (used) by operating activities:			
Operating income (loss)	\$ (20,880)	\$ (13,429)	\$ (34,309)
Prior period adjustment	(5,538)	(5,213)	(10,751)
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	70,916	65,292	136,208
(Increase) decrease in accounts receivable	14,007	4,004	18,011
Decrease in due from other governments	-	18,932	18,932
Decrease in deferred outflows of resources	4,223	5,171	9,394
Increase (decrease) in accounts payable	4,994	4,298	9,292
Increase in compensated absences	4,101	(5)	4,096
Increase in accrued liabilities	379	(526)	(147)
(Decrease) in net pension liability	2,353	1,870	4,223
Increase in total OPEB liability	5,616	3,063	8,679
(Decrease) in deferred inflows of resources	(557)	(509)	(1,066)
Net cash provided (used) by operating activities	<u>\$ 79,614</u>	<u>\$ 82,948</u>	<u>\$ 162,562</u>

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

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements:

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

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 assets are available, restricted resources are depleted first before the restricted 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.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

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

The funds of the City are described below:

Major Governmental Funds:

General Fund: 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.

Community Development Project Income Fund: Accounts for the financing of home rehabilitation and businesses, as financed by monies passed through the State by the federal government.

COPS Fund: Accounts for police protection activities financed through the COPS grant.

STIP Project Fund: Accounts for the construction and maintenance of the streets and roads of the City.

Major Proprietary Funds:

The Enterprise Funds (Water and Sewer) 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.

Additionally, the City reports the following funds:

Proposition 50 Grant Fund: Accounts for the construction of a fish ladder at the City's water intake system.

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.

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.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

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

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

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

All proprietary (enterprise) funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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 net position.

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. Available means collectible within the current period or within 60 days after year end. For revenues from government grants and contracts, a period of one-year is used for the period of availability. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

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

D. Assets, Liabilities, Net Assets or Fund Equity

Cash and Cash Equivalents:

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

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the same as its value of the pool shares. The regulatory oversight of LAIF rests with the Local Agency Investment Board.

Receivables:

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

Property Taxes:

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

Interfund 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.

Restricted Assets:

Certain resources set aside for the repayment of the City's sewer fund long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

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.

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

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	30 to 40 years
Equipment, furnishings and vehicles	5 to 10 years
Infrastructure	30 to 50 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 pay and compensated time off 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. Only vacation pay and compensated time off have been accrued in the accompanying financial statements.

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, we determined information about the fiduciary net position, and additions to, or deductions from, the fiduciary net position, based on the reports from the CalPERS Financial Office. For this purpose, the employer should recognize benefit payments (including refunds of employee contributions) when currently due and payable, in accordance with the benefit terms. The employer should report investments at fair value. CalPERS' website provides publicly available CalPERS audited financial statements under "Forms and Publications." GASB 68 requires that the reported results must pertain to the liability and asset information within certain defined timeframes. For this report, we used the following timeframes:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Other Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City of Etna Retiree Benefits 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 the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Unearned Revenue:

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

Fund Balance Classification:

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

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City's nonspendable reserves consisted of monies set aside for noncurrent receivables and prepaid expenditures/expenses.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified police, streets and roads, and water improvements fund balances as restricted for fund purposes.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2020.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Mayor or City Clerk through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City did not have any assigned resources as of June 30, 2020.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

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

Expenditures/Expenses:

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

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

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

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

G. Budgets

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

NOTE 2 IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

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

NOTE 3 CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Current cash and investments	<u>\$ 1,077,621</u>
Consisting of the following:	
Cash on hand	\$ 192
Deposits with financial institutions	517,252
Investment in LAIF	<u>560,177</u>
	<u>\$ 1,077,621</u>

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 3 CASH AND INVESTMENTS (Continued)

Investments Authorized:

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

Disclosure Relating to Interest Rate Risk:

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

	Cost	Fair Value	Maturity Date
Local Agency Investment Fund	\$ 560,177	\$ 560,177	191 day average

Disclosure Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and Certificated of Deposits with banks do 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 or reporting unit that represent 5 percent or more of total City investments.

Custodial Credit Risk:

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

Under California Government Code Section 53655, the placement of securities in a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 3 CASH AND INVESTMENTS (Continued)

Cash deposits with financial institutions are covered by federal deposit insurance up to \$250,000. At June 30, 2020, all deposits with financial institutions were fully insured as stated above.

The City's balance in bank was \$224,483, 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 \$517,252 because of outstanding checks, deposits-in-transit and classification of negative cash balances as liabilities.

Investment in State Investment Pool (LAIF):

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

NOTE 4 RECEIVABLES

The following is the composition of loans receivable at June 30, 2020:

	Community Development Project Income Fund
Mortgage loans	\$ 2,386,915
Less allowance for bad debts	(319,129)
Total	\$ 2,067,786

All of the loans are due from homeowners and businesses within the City of Etna.

The following is the composition of trade accounts receivable, net of allowance for doubtful accounts, at June 30, 2020:

Water Fund	Sewer Fund	Total
\$ 20,998	\$ 16,697	\$ 37,695

NOTE 5 OPERATING/CAPITAL TRANSFERS IN / OUT

The following is a summary of operating and capital transfers in / out for the year ended June 30, 2020:

Transfer Out From:	Transfer In To:		Total Transfers Out
	General Fund	Water Fund	
Community Development Project Income Fund	\$ -	\$ 340,687	\$ 340,687
Water Fund	1	-	1
Total Transfers In	\$ 1	\$ 340,687	\$ 340,688

Capital transfers to the Water Fund from the Community Development Project Income Fund were for capital improvements to the water service laterals. All other transfers were operating type transfers.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>June 30, 2019</u>	<u>Additions and Transfers</u>	<u>Retirements and Transfers</u>	<u>June 30, 2020</u>
Governmental activities				
<u>Capital assets, not being depreciated</u>				
Land	\$ 469,000	\$ -	\$ -	\$ 469,000
Construction in progress	13,428	198,409	-	211,837
Total capital assets, not being depreciated	<u>482,428</u>	<u>198,409</u>	<u>-</u>	<u>680,837</u>
<u>Capital assets, being depreciated</u>				
Buildings and improvements	1,943,729	-	-	1,943,729
Equipment, furnishings and vehicles	1,299,848	-	-	1,299,848
Infrastructure	3,314,743	-	-	3,314,743
Total capital assets, being depreciated	<u>6,558,320</u>	<u>-</u>	<u>-</u>	<u>6,558,320</u>
<u>Less accumulated depreciation for</u>				
Buildings and improvements	890,856	46,259	-	937,115
Equipment, furnishings and vehicles	1,158,880	60,559	-	1,219,439
Infrastructure	1,497,747	78,481	-	1,576,228
Total accumulated depreciation	<u>3,547,483</u>	<u>185,299</u>	<u>-</u>	<u>3,732,782</u>
Total capital assets, being depreciated, net	<u>3,010,837</u>	<u>(185,299)</u>	<u>-</u>	<u>2,825,538</u>
Subtotal, governmental activities	<u>3,493,265</u>	<u>13,110</u>	<u>-</u>	<u>3,506,375</u>
Business-type activities				
<u>Capital assets, not being depreciated</u>				
Land	187,585	-	-	187,585
Construction in progress	17,371	153,153	(17,371)	153,153
Total capital assets, not being depreciated	<u>204,956</u>	<u>153,153</u>	<u>(17,371)</u>	<u>340,738</u>
<u>Capital assets, being depreciated</u>				
Utility plant	5,936,172	334,192	17,371	6,287,735
Buildings and improvements	89,065	-	-	89,065
Equipment, furnishings and vehicles	135,315	15,078	-	150,393
Total capital assets, being depreciated	<u>6,160,552</u>	<u>349,270</u>	<u>17,371</u>	<u>6,527,193</u>
<u>Less accumulated depreciation for</u>				
Utility plant	3,369,614	134,159	-	3,503,773
Buildings and improvements	69,176	1,421	-	70,597
Equipment, furnishings and vehicles	135,315	628	-	135,943
Total accumulated depreciation	<u>3,574,105</u>	<u>136,208</u>	<u>-</u>	<u>3,710,313</u>
Total capital assets, being depreciated, net	<u>2,586,447</u>	<u>213,062</u>	<u>17,371</u>	<u>2,816,880</u>
Subtotal, business-type activities	<u>2,791,403</u>	<u>366,215</u>	<u>-</u>	<u>3,157,618</u>
Total, government-wide	<u>\$6,284,668</u>	<u>\$ 379,325</u>	<u>\$ -</u>	<u>\$6,663,993</u>

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 6 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$30,467
Public works	68,184
Public safety	64,709
Recreation services	21,939
	<u>\$185,299</u>
Total depreciation expense – governmental activities	
	<u>\$185,299</u>
Business-type activities:	
Water Fund	\$70,916
Sewer Fund	65,292
	<u>\$136,208</u>
Total depreciation expense – business-type activities	
	<u>\$136,208</u>

NOTE 7 NONCURRENT LIABILITIES

Changes in long-term debt obligations for the year ended June 30, 2020, are as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Current Portion
Business-type activities:					
Special Assessment Debt	\$ 285,700	\$ -	\$ (7,400)	\$ 278,300	\$ 7,600
1983 Sewer Revenue Bond	68,000	-	(12,000)	56,000	13,000
	<u>\$ 353,700</u>	<u>\$ -</u>	<u>\$ (19,400)</u>	<u>\$ 334,300</u>	<u>\$ 20,600</u>

The City's outstanding debt from special assessments was issued in 2000 to pay for sewer improvements. This debt is to be repaid with a special assessment levied against property owners within the City. The City is not directly responsible for servicing this debt; it only acts as a conduit for the property owners, facilitating the collection of the special assessments and making principal and interest payments. However, the debt instrument calls for the City to make up any shortages in collections of the special assessments if needed to pay the scheduled principal and interest payments. Because of this, the City must report the debt and related accounts in its financial statements, as follows:

Special assessments receivable reflects the total amount of uncollected special assessments, whether currently due or due in the future. To offset the above receivable, deferred revenue is recorded in the same amount. The revenue is recognized as the assessments are collected. Special assessment debt with government commitment reflects the amount of the outstanding bonds.

The City's outstanding debt from sewer revenue bonds is from the October 1983 sale of Series A 1983 Sewer Revenue Bonds for sewer improvements with an original issue amount of \$270,000. Principal and interest are payable solely from the pledged revenue of the sewer fund. All revenue from the sewer service charges are pledged to pay principal and interest, and to provide a reserve fund, replacement and surplus funds and to pay for operations and maintenance. There is no significant default provision in this bond issuance and if payments are not made in accordance with the terms of the issuance ordinance, the bond will continue to bear interest at five percent (5%) per annum until the maturity date in March 2024.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 7 NONCURRENT LIABILITIES (Continued)

Debt services requirements on long-term debt at June 30, 2020, are as follows:

<u>Year Ended June 30,</u>	<u>Business-Type Activities</u>			
	<u>Special Assessment</u>		<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 7,600	\$ 12,353	\$ 13,000	\$ 2,475
2022	8,000	12,001	14,000	1,800
2023	8,400	11,633	14,000	1,100
2024	8,700	11,248	15,000	375
2025	9,200	10,845	-	-
2026-2030	52,300	47,518	-	-
2031-2035	65,100	34,351	-	-
2036-2040	81,100	17,975	-	-
2041-2042	37,900	1,726	-	-
	<u>\$ 278,300</u>	<u>\$ 159,650</u>	<u>\$ 56,000</u>	<u>\$ 5,750</u>

Compensated absences

Compensated absences activity for the year ended June 30, 2020 is summarized as follows:

	<u>June 30,</u>			<u>June 30,</u>	<u>Current</u>
	<u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>	<u>Portion</u>
Governmental activities:					
General Fund	\$ 19,460	\$ 3,562	\$ -	\$ 23,022	\$ -
Business-type activities:					
Water	3,711	4,101	-	7,812	-
Sewer	3,471	-	5	3,466	-
Total business-type activities	<u>7,182</u>	<u>4,101</u>	<u>5</u>	<u>11,278</u>	<u>-</u>
Total	<u>\$ 26,642</u>	<u>\$ 7,663</u>	<u>\$ 5</u>	<u>\$ 34,300</u>	<u>\$ -</u>

NOTE 8 PENSION PLAN

General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

The "Plan" is a cost-sharing multiple-employer defined-benefit pension plan administered by CalPERS. The June 30, 2019, GASB 68 actuarial valuation report for the combined **Miscellaneous and Safety (police and fire) Risk Pools** lists a full description of the assumptions for funding purposes, but not accounting purposes, and membership information. The benefits provided from Appendix B of the June 30, 2019, actuarial valuation report for the CalPERS **Miscellaneous and Safety Risk Pools** are available on the CalPERS' website under "Forms and Publications."

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 8 PENSION PLAN (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS' annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the Plan, the basis of the Plan's actuarially determined rate is the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the basis for the contribution rates is actual contributions made, and not the actuarially determined contribution. The employees and the employer had the following contribution rates, shown as a percentage of the annual payroll:

Miscellaneous		
Contribution Type	Classic	PEPRA
Employee (Charged)	7.000%	6.250%
Employee (Effective)	6.912%	6.250%
Employer	7.634%	6.842%
Safety		
Employee (Charged)	7.000%	0.000%
Employee (Effective)	6.915%	0.000%
Employer	12.242%	0.000%

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

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

Actuarial Methods and Assumptions Used to Determine Plan Contributions

CalPERS derived the actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018–2019 from the June 30, 2018, funding valuation report.

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

All other actuarial assumptions used in the June 30, 2018, valuation use the results of CalPERS Experience Study and Review of Actuarial Assumptions — December 2017, including updates to salary increases, mortality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 8 PENSION PLAN (continued)

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

Long-term Expected Rate of Return

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

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

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

<u>Asset Class (1)</u>	<u>Assumed asset allocation</u>	<u>Real return years 1-10 (2)</u>	<u>Real return years 11+ (3)</u>
Global equity	50.00 %	4.80 %	5.96 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

(1) In the System's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation assets are included in both Global Equity securities and Global Debt Securities

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

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

Discount Rate

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

**City of Etna, California
Notes To Basic Financial Statements
June 30, 2020**

NOTE 8 PENSION PLAN (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

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

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

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

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

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

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the Plan. The EARSL for PERF C for the June 30, 2019, measurement date is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 530,470 (the sum of remaining service lifetimes of all active employees) by 140,593 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

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

CalPERS' website provides CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 8 PENSION PLAN (continued)

Allocation of Net Pension Liability and Pension Expense to Individual Plans

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

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

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 124,946
Safety	203,620
Total Net Pension Liability	\$ 328,566

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 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, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined. The City's change in the proportionate share of the net pension liability for each Plan as of the June 30, 2019 measurement date was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2018	0.00281%	0.00327%	0.00309%
Proportion - June 30, 2019	0.00312%	0.00326%	0.00321%
Change - Increase/(Decrease)	0.00031%	-0.00001%	0.00012%

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement year ended June 30, 2019 (fiscal year ended June 30, 2020), the contributions recognized as part of pension expense for each Plan were as follows:

Miscellaneous	Safety
\$ 25,794	\$ 27,901

For the measurement year ended June 30, 2019, the City recognized pension expense of \$96,438.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 8 PENSION PLAN (continued)

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

For the Measurement Year Ended June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 14,304	\$ 3,740
Differences between actual and expected experience	21,973	672
Difference between projected and actual earnings on pension plan investments	-	4,986
Differences between actual contributions vs. proportionate share of contributions	699	12,380
Change in employer proportion	26,671	757
Pension contributions made subsequent to measurement date	4,055	-
Totals	\$ 67,702	\$ 22,535

The \$4,055 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending	Total
<u>June 30:</u>	
2020	\$ 30,950
2021	5,207
2022	3,968
2023	987
2024	-
Thereafter	-

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:

Plan's Net Pension Liability	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Miscellaneous	\$248,553	\$124,946	\$22,917
Safety	319,917	203,620	108,275
Total	\$568,470	\$328,566	\$131,192

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

The City had current required contribution amounts payable to the pension plan at June 30, 2020 in the amount of \$5,082.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description. The City administers an single-employer defined-benefit post-employment healthcare plan. Dependents are eligible to enroll and benefits continue to surviving spouses.

Benefits Provided. Retirees are eligible to enroll in the CalPERS PERS Choice plan and receive contributions if they retire at Age 50+ and have 5+ years of City service. The City provides the PEMHCA minimum for each subscriber, regardless of elected coverage tier.

Contributions. The City pays benefits as they come due.

Contribution rate:	Benefits Due
Reporting period contributions:	\$ 3,196 (Includes implicit subsidy credit)

Employees Covered by Benefit Terms. At June 30, 2019 (the census date), the benefit terms covered the following employees:

Category	Count
Active employees:	10
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	2
Inactive employees entitled to but not yet receiving benefit payment:	0
Total	12

Financial Report. The City issues a stand-alone financial report that is available to the public. The report is available upon request by calling (530) 467-5256.

Total OPEB Liability

The City's total OPEB liability was valued as of June 30, 2019 and was used to calculate the total OPEB liability measured as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.50% at the measurement date June 30, 2019 and 1.75% at June 30, 2020.

Salary increases: Base salary increases in year one: 2.875%. Base salary increases in subsequent years: 2.75%. Additional merit-based increases based on CalPERS merit salary increase tables.

Discount Rate: 3.50% at June 30, 2018 and decreasing to 3.13% at the measurement date June 30, 2019, and 2.45% at June 30, 2020.

Healthcare cost trend rates: 5.50% at the measurement date June 30, 2020, trending down to 3.84% over 54 years. Applies to calendar years.

Mortality rates were based on CalPERS tables.

- * Projections of the sharing benefit-related costs are based on an established pattern of practice.
- * Experience studies come from the CalPERS Pension Assumption Model, revised May 14, 2018.
- * Inactive employees (retirees) pay the cost of benefits above the City's contribution.
- * There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 2.45%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Changes in the Total OPEB Liability

	Increase (Decrease)
Balance as of report date June 30, 2019	\$ 139,674
Changes for the year:	
Service cost	16,326
Interest	4,833
Changes of benefit terms	-
Differences between expected and actual experience	(193)
Changes of assumptions	16,265
Benefit payments	(3,168)
Implicit subsidy credit	(28)
Other miscellaneous income/(expense)	-
Net changes	34,035
Balance as of report date June 30, 2020	\$ 173,709

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.45%	2.45%	3.45%
Total OPEB liability	\$ 201,661	\$ 173,709	\$ 150,450

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than current healthcare cost trend rates follows:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	5.00%	6.00%	7.00%
	Decreasing to 2.84%	Decreasing to 3.84%	Decreasing to 4.84%
Total OPEB liability	\$ 139,280	\$ 173,709	\$ 219,435

**City of Etna, California
Notes To Basic Financial Statements
June 30, 2020**

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized an OPEB expense of \$21,217. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (8,334)
Change of assumptions	14,898	(4,620)
Total	\$ 14,898	\$ (12,954)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Report Year Ending June 30:	Amount
2021	\$ 58
2022	58
2023	58
2024	58
2025	58
Remaining	1,654

NOTE 10 SELF-INSURANCE

The City is self-insured for general liability claims up to \$2,500 per occurrence. The City belongs to Small Cities Organized Risk Effort (SCORE) which provides liability coverage of \$500,000 per occurrence through liability self-funded layers. The California Joint Powers Risk Management Authority provides \$10,000,000 liability coverage in excess of the liability limit of SCORE.

NOTE 11 FUND BALANCE

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 5). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor and/or management. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Unassigned Fund Balance of \$99,494 and Nonspendable Fund Balance of \$5,386 for prepaid expenditures at June 30, 2020.

Other Major Funds

The Community Development Project Income Fund has Nonspendable Fund Balance of \$2,067,786 for noncurrent receivables, and \$(53,797) of unassigned (deficit) fund balance, at June 30, 2020.

City of Etna, California
Notes To Basic Financial Statements
June 30, 2020

NOTE 11 FUND BALANCE (Continued)

The COPS Fund has Restricted Fund Balance of \$78,096, restricted for police activity, at June 30, 2020.

The STIP Fund has a Restricted Fund Balance of \$2,589, restricted for streets and roads, at June 30, 2020.

Other Funds:

Other governmental (nonmajor) funds have Restricted Fund Balance of \$122,538 at June 30, 2020 restricted for streets and roads maintenance and improvements and water improvements.

NOTE 12 OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2020 the General Fund over-expended the approved budget by \$100,158 primarily due to overages in City administration and police. For other major governmental funds for the year ended June 30, 2020, the Community Development Project Income Fund over-expended the approved budget by \$10,429.

NOTE 13 CONTINGENCIES AND COMMITMENTS

The City participates in several Federal and State assisted grant programs that are subject to audit by the Grantors. Although the ultimate outcome of such audits cannot be determined at this time, the City believes that such audits will not have a material adverse effect on the City. As of June 30, 2020, the City is under commitment for a construction contract that is in progress for the Howell Avenue Rehabilitation Project. The total outstanding commitment at June 30, 2020 is \$210,591.

The City is involved in litigation arising from the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters, will not have a material effect on the City's financial condition or results of operations.

NOTE 14 PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2020, the City was informed that corrections for several past years were required by CalPERS in order to correctly report employee payroll and correct the required contributions. This resulted in a credit to the current fiscal year but required additional payments for these past years. The total amount of the correction of \$67,790 was allocated between the Governmental Activities and Business-type Activities based on past allocation factors derived from the respective activity's share of total pension contributions. The effect of restatement on beginning fund balance and/or net position is found on the face of the Statement of Activities for Governmental and Business-type Activities, the Statement of Revenue, Expenses and Changes in Net Position for Proprietary Funds, and the Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds. The impact on change in fund balance and/or net position for the year ended June 30, 2019 is as follows:

<u>IMPACT ON:</u>	<u>Governmental Funds</u>		<u>Effect on</u>
<u>GOVERNMENTAL ACTIVITIES</u>	<u>General Fund</u>	<u>COPS Fund</u>	<u>Net Position</u>
Excess of revenues (under) expenditures - as previously reported	\$ (94,165)	\$ 48,818	\$ (246,130)
Prior Period Adjustment	(48,301)	(8,738)	(57,039)
Excess of revenues (under) expenditures - as restated	<u>\$ (142,466)</u>	<u>\$ 40,080</u>	<u>\$ (303,169)</u>
	<u>Water</u>	<u>Sewer</u>	<u>Net Position</u>
<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Fund</u>	<u>Fund</u>	
Change in Net Position - as previously reported	\$ 382,600	\$ 27,335	\$ 409,935
Prior Period Adjustment	(5,538)	(5,213)	(10,751)
Change in Net Position - as restated	<u>\$ 377,062</u>	<u>\$ 22,122</u>	<u>\$ 399,184</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ETNA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
REVENUES				
Property taxes	\$ 181,500	\$ 195,775	\$ 194,015	\$ (1,760)
Sales and use taxes	90,000	83,000	94,472	11,472
Transient occupancy taxes	9,500	10,660	9,932	(728)
Franchise and other taxes	10,000	9,650	10,069	419
Licenses and permits	4,200	3,460	4,558	1,098
Intergovernmental revenues	28,500	46,500	26,539	(19,961)
Covid-19 relief funds	-	-	59,457	59,457
Charges for services	443,330	416,640	412,213	(4,427)
Fines, forfeitures and penalties	2,000	660	695	35
Use of money and property	5,200	6,068	10,485	4,417
Other	27,000	41,450	35,567	(5,883)
Total revenues	<u>801,230</u>	<u>813,863</u>	<u>858,002</u>	<u>44,139</u>
EXPENDITURES				
Current:				
City council	1,950	1,550	1,108	442
City clerk and administration	170,400	85,836	156,687	(70,851)
Insurance	19,600	19,782	17,918	1,864
Police protection	387,530	226,485	262,299	(35,814)
Ambulance service	425,583	366,572	347,330	19,242
Fire protection	108,615	81,896	75,632	6,264
Public works - buildings & grounds	26,447	22,748	23,333	(585)
Public works - streets & roads	47,815	43,542	45,827	(2,285)
Community development	42,300	18,837	29,363	(10,526)
Parks, recreation and culture	86,909	64,125	72,034	(7,909)
Total expenditures	<u>1,317,149</u>	<u>931,373</u>	<u>1,031,531</u>	<u>(100,158)</u>
Excess of revenues over (under) expenditures	<u>(515,919)</u>	<u>(117,510)</u>	<u>(173,529)</u>	<u>(56,019)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>138,850</u>	<u>1</u>	<u>(138,849)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (515,919)</u>	<u>\$ 21,340</u>	<u>\$ (173,528)</u>	<u>\$ (194,868)</u>

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

CITY OF ETNA
 Budgetary Comparison Schedule
 Community Development Project Income Fund
 For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 239,081	\$ 239,081
Use of money and property	-	30,938	14,100	(16,838)
Total revenues	<u>-</u>	<u>30,938</u>	<u>253,181</u>	<u>222,243</u>
EXPENDITURES				
Current:				
Community development	-	11,985	22,414	(10,429)
Excess of revenues over (under) expenditures	-	18,953	230,767	211,814
OTHER FINANCING SOURCES (USES)				
Capital transfers in (out)	-	5,000	(340,687)	(345,687)
Excess of revenues and other sources (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 23,953</u>	<u>\$ (109,920)</u>	<u>\$ (133,873)</u>

CITY OF ETNA
 Budgetary Comparison Schedule
 COPS Fund
 For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
<u>REVENUES</u>				
Intergovernmental revenues	\$ 155,948	\$ 155,948	\$ 155,948	\$ -
Use of money and property	-	-	217	217
Total revenues	<u>155,948</u>	<u>155,948</u>	<u>156,165</u>	<u>217</u>
<u>EXPENDITURES</u>				
Current:				
Police protection	<u>143,815</u>	<u>157,032</u>	<u>128,162</u>	<u>28,870</u>
Total expenditures	<u>143,815</u>	<u>157,032</u>	<u>128,162</u>	<u>28,870</u>
Excess of revenues over (under) expenditures	12,133	(1,084)	28,003	29,087
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in (out)	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Excess of revenues and other sources (under) expenditures and other uses	<u>\$ 12,133</u>	<u>\$ 4,916</u>	<u>\$ 28,003</u>	<u>\$ 23,087</u>

CITY OF ETNA
 Budgetary Comparison Schedule
 STIP Projects Fund
 For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
<u>REVENUES</u>				
Intergovernmental revenues	<u>\$ 409,000</u>	<u>\$ 409,000</u>	<u>\$ 198,845</u>	<u>\$ (210,155)</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>409,000</u>	<u>409,000</u>	<u>198,409</u>	<u>210,591</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 436</u>

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

CITY OF ETNA
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 June 30, 2020
 Last 10 Years

SCHEDULE OF THE LOCAL GOVERNMENT'S
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AND RELATED RATIOS AS OF THE MEASUREMENT DATE IN RELATION TO PERF C

	Measurement Year Ending						
	June 30: ¹	2014	2015	2016	2017	2018	2019
Plan's proportion of the net pension liability	0.00361%	0.00251%	0.00302%	0.00308%	0.00309%	0.00321%	0.00321%
Plan's proportionate share of the net pension liability	\$224,651	\$172,241	\$261,331	\$305,676	\$297,479	\$328,566	\$328,566
Plan's covered-employee payroll	\$219,699	\$256,104	\$272,793	\$274,580	\$332,681	\$360,233	\$360,233
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	102.25%	67.25%	95.80%	111.32%	89.42%	91.21%	91.21%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	15.07%	11.45%	17.61%	18.47%	17.34%	18.59%	18.59%
Plan's proportionate share of aggregate employer contributions ^{2,3}	\$34,970	\$45,747	\$43,947	\$49,100	\$56,543	\$61,188	\$61,188

Footnotes to RSI Schedule

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

² The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position multiplied by the total employer contribution amount as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

³ 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 ETNA
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 June 30, 2020
 Last 10 Years

SCHEDULE OF PLAN CONTRIBUTIONS ¹

Measurement Year Ending June 30:	2014	2015	2016	2017	2018	2019
Actuarially determined contribution ²	28,787	28,360	35,700	38,523	47,744	53,686
Contributions in relation to the actuarially determined contribution ³	28,787	28,360	35,749	39,600	47,762	53,695
Contribution deficiency (excess)	\$ -	\$ -	\$ (49)	\$ (1,077)	\$ (18)	\$ (9)
Covered employee payroll	\$219,699	\$256,104	\$272,793	\$274,580	\$332,681	\$360,233
Contributions as a percentage of covered-employee payroll ⁴	13.10%	11.07%	13.10%	14.42%	14.36%	14.91%

Notes to RSI Schedule

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

Changes of Assumptions: There were no changes in assumptions.

Footnotes to RSI Schedule

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

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

³ Ibid.

⁴ Ibid.

CITY OF ETNA
 Agent Multiple-Employer Defined Benefit Post-Employment Healthcare Plan
 June 30, 2020
 Last 10 Years ¹

SCHEDULE OF THE LOCAL GOVERNMENT'S
 CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	Measurement Date (June 30) : Report Date (June 30) :	2017 2017	2018 2018	2019 2019	2020 2020
<u>Total OPEB Liability</u>					
Service Cost		\$ 12,752	\$ -	\$ 13,884	\$ 16,326
Interest		4,725	-	5,286	4,833
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience		-	-	(9,808)	(193)
Changes of assumptions		-	-	(5,554)	16,265
Benefit payments		(2,537)	-	(2,548)	(3,168)
Implicit rate subsidy fulfilled		(19)	-	(31)	(28)
Net Change in OPEB Liability		14,921	-	1,229	34,035
Total OPEB liability - beginning of year		123,524	138,445	138,445	139,674
Total OPEB liability - end of year		138,445	138,445	139,674	173,709
Covered-Employee Payroll		\$ 288,288	\$ 288,288	\$ 424,915	\$ 436,600
City's total OPEB liability as a percentage of covered-employee payroll		48.02%	48.02%	32.87%	39.79%

Notes to RSI Schedule

The City adopted GASB 75 for the fiscal year ending June 30, 2017.

Footnotes to RSI Schedule

¹ GASB 75 requires historical information only for measurement periods for which GASB 75 is applicable.

SUPPLEMENTARY INFORMATION

CITY OF ETNA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Local Transportation Fund	Gas Tax Fund	Proposition 50 Grant Fund	Total
ASSETS				
Cash	\$ 37,162	\$ 83,044	\$ 1,409	\$ 121,615
Receivables:				
Intergovernmental	-	1,114	-	1,114
Total assets	\$ 37,162	\$ 84,158	\$ 1,409	\$ 122,729
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ -	\$ 191	\$ -	\$ 191
Total liabilities	-	191	-	191
Fund balances:				
Restricted for:				
Streets and Roads	37,162	83,967	-	121,129
Water	-	-	1,409	1,409
Total fund balances	37,162	83,967	1,409	122,538
Total liabilities and fund balances	\$ 37,162	\$ 84,158	\$ 1,409	\$ 122,729

CITY OF ETNA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2020

	Local Transportation Fund	Gas Tax Fund	Proposition 50 Grant Fund	Total
REVENUES				
Intergovernmental revenues	\$ 25,056	\$ 22,230	\$ -	\$ 47,286
Use of money and property	145	2,599	-	2,744
Total revenues	<u>25,201</u>	<u>24,829</u>	<u>-</u>	<u>50,030</u>
EXPENDITURES				
Current:				
Public works - streets & roads	3,438	22,434	-	25,872
Public transportation	18,127	-	-	18,127
Total expenditures	<u>21,565</u>	<u>22,434</u>	<u>-</u>	<u>43,999</u>
Excess of revenues over (under) expenditures	3,636	2,395	-	6,031
FUND BALANCES				
Beginning of year	<u>33,526</u>	<u>81,572</u>	<u>1,409</u>	<u>116,507</u>
End of year	<u>\$ 37,162</u>	<u>\$ 83,967</u>	<u>\$ 1,409</u>	<u>\$ 122,538</u>

OTHER REPORTS AND SCHEDULES

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

To the City Council
City of Etna, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Etna as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Etna, California's basic financial statements, and have issued my report thereon dated August 17, 2021.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. I consider the deficiencies, described in the accompanying schedule of findings, responses and corrective action plan as Findings 2020-001 and 2020-003, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Etna, California's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters, as described in the accompanying schedule of findings, responses and corrective action plan as Finding 2019-001, that is required to be reported under *Government Auditing Standards*.

Response to Findings

The City's response and corrective action plan to the findings identified in my audit are described in the accompanying schedule of findings, responses and corrective action plan. I did not audit the City's response or corrective action plan and, accordingly, I express no opinion on them.

Purpose of this Report

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

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

Charles W Pillon, CPA
Anderson, California

August 17, 2021

CITY OF ETNA
Schedule of Findings, Responses and Corrective Action Plan
For the Year Ended June 30, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001 Material Weakness

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

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

Criteria: In accordance with *Statement on Auditing Standards No. 122c*, external auditors cannot be part of an entity's internal controls over the preparation of the financial statements and are prohibited from auditing their own work, which would impair independence. 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 and post numerous material closing entries for the year under audit. These adjustments were not identified by the City because of ineffective internal controls over the financial close process, as well as the switch in the contract accountant position that prepares the financial close for the audit, which did not leave this new person ample time to properly train and close the books.

Effect: Financial statements are being produced which are not in conformity with generally accepted accounting principles and contain material misstatements that could have been distributed to external users. In addition, the outside auditor has to correct much of the year-end close process in performing the audit, putting significant pressure on the auditor's independence.

Recommendation: I 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. The City should make ample time for the contract accountant to perform the proper year-end close prior to start of the audit.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding and will ensure adequate time be given to our contract accountant to perform adjustments prior to the fiscal year closing.

2020-002 Material Weakness

Bank reconciliations are not being prepared in a timely manner

Condition: Bank Reconciliations are not done timely, therefore, reconciling items are not addressed in a timely manner.

Criteria: The City is required to maintain and implement a system of internal controls that allows for the prevention, detection and correction of material misstatement in a timely manner. Bank reconciliations need to be done in a timely manner and reconciling items need to be corrected in order to prevent undetected and uncorrected material misstatements to the financial statements produced during the fiscal year and at fiscal year-end.

Cause: Bank reconciliation procedures are not being followed and coordinated with the contracted accountant.

CITY OF ETNA
Schedule of Findings, Responses and Corrective Action Plan
For the Year Ended June 30, 2020

2020-002 continued

Effect: Cash accounts may not be accurate, material errors in the financial statements may exist and lack of controls over cash may allow misappropriation (i.e. theft). This is a repeat finding from June 30, 2018 and 2019, Finding 2018-003 and 2019-003.

Recommendation: All bank reconciliations should be completed within 30 days of receiving the bank statement. All reconciling items need to be noted on the bank reconciliation and properly recorded in the accounting system.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding and the City staff and the contracted accountant has been directed to prioritize bank reconciliations and to complete this work in a timely fashion. This was fully implemented in December 2020.

PRIOR YEAR FINDINGS

Finding 2019-001 – Material Federal Award Non-Compliance – 16-CDBG-11138 Public Water System Improvement Project

The recommendations for this finding were implemented during FY19-20 and into FY20-21 through the guidance of the City's external grant specialist, the external auditor and the grantor, the California Department of Housing and Community Development.

Finding 2019-002 – Material weakness: budgets not prepared for all governmental funds

The recommendations were implemented during the last half of the 19-20 fiscal year.

Finding 2019-003 – Material weakness: bank reconciliations not being prepared in a timely manner

The recommendations were implemented during the last half of the 19-20 fiscal year.