

**CITY OF WEED, CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**City of Weed, California**  
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**June 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Weed, California

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Weed, California as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Weed, California as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 33 and 34 and cost-sharing multiple employer defined benefit pension plan information on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the City of Weed, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Weed, California's internal control over financial reporting and compliance.



Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 21, 2018

## BASIC FINANCIAL STATEMENTS

**City of Weed**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 699,135	\$ 395,161	\$ 1,094,296
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	194,327	194,327
Loans	1,828,257	-	1,828,257
Intergovernmental	98,688	176,105	274,793
Other	-	-	-
Due from other funds	836,426	(836,426)	-
Total current assets	<u>3,462,506</u>	<u>(70,833)</u>	<u>3,391,673</u>
Capital assets:			
Non-depreciable	6,498,827	4,256,179	10,755,006
Depreciable, net	<u>8,833,008</u>	<u>11,399,566</u>	<u>20,232,574</u>
Total capital assets	<u>15,331,835</u>	<u>15,655,745</u>	<u>30,987,580</u>
Total assets	<u><u>\$ 18,794,341</u></u>	<u><u>\$ 15,584,912</u></u>	<u><u>\$ 34,379,253</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	<u>385,036</u>	<u>42,863</u>	<u>427,899</u>
<b>LIABILITIES</b>			
Accounts payable	231,275	134,782	366,057
Accrued liabilities	11,647	5,136	16,783
Deposits	-	71,034	71,034
Unearned revenues	357,265	-	357,265
Current portion, compensated absences	99,658	47,376	147,034
Current portion of long-term debt	29,043	58,088	87,131
Total current liabilities	<u>728,888</u>	<u>316,416</u>	<u>1,045,304</u>
Long-term liabilities:			
Net pension liability	2,037,387	226,808	2,264,195
Long-term compensated absences, net of current portion	11,073	5,263	16,336
Long-term debt, net of current portion	33,771	67,542	101,313
Total long-term liabilities	<u>2,082,231</u>	<u>299,613</u>	<u>2,381,844</u>
Total liabilities	<u><u>2,811,119</u></u>	<u><u>616,029</u></u>	<u><u>3,427,148</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	<u>587,083</u>	<u>65,356</u>	<u>652,439</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,269,021	15,530,115	30,799,136
Unrestricted	<u>512,154</u>	<u>(583,725)</u>	<u>(71,571)</u>
Total net position	<u><u>\$ 15,781,175</u></u>	<u><u>\$ 14,946,390</u></u>	<u><u>\$ 30,727,565</u></u>

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

**City of Weed**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,013,260	\$ 159,093	\$ 275,468	\$ -	\$ (578,699)	\$ -	\$ (578,699)
Public safety	2,172,254	55,348	434,727	128,705	(1,553,474)	-	(1,553,474)
Streets and roads	525,494	-	246,453	-	(279,041)	-	(279,041)
Community and economic development	824,198	-	41,723	962,201	179,726	-	179,726
<b>Total governmental activities</b>	<b>4,535,206</b>	<b>214,441</b>	<b>998,371</b>	<b>1,090,906</b>	<b>(2,231,488)</b>	<b>-</b>	<b>(2,231,488)</b>
<b>Business-type activities:</b>							
Water	1,006,636	591,376	-	285,770	-	(129,490)	(129,490)
Sewer	687,341	522,301	-	228,934	-	63,894	63,894
Solid waste	526,899	530,598	5,000	-	-	8,699	8,699
<b>Total business-type activities</b>	<b>2,220,876</b>	<b>1,644,275</b>	<b>5,000</b>	<b>514,704</b>	<b>-</b>	<b>(56,897)</b>	<b>(56,897)</b>
<b>Total primary government</b>	<b>\$ 6,756,082</b>	<b>\$ 1,858,716</b>	<b>\$ 1,003,371</b>	<b>\$ 1,605,610</b>	<b>(2,231,488)</b>	<b>(56,897)</b>	<b>(2,288,385)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes				602,982	-	602,982	
Sales and use taxes				1,232,730	-	1,232,730	
Transient occupancy taxes				411,451	-	411,451	
Investment earnings				106,641	98	106,739	
Other				-	-	-	
Operating transfers				(35,118)	35,118	-	
<b>Total general revenues</b>				<b>2,318,686</b>	<b>35,216</b>	<b>2,353,902</b>	
<b>Change in net position</b>							
				87,198	(21,681)	65,517	
Net position, beginning of year, as previously reported							
Prior period adjustment				15,095,020	13,071,521	28,166,541	
Net position, beginning of year, as restated				598,957	1,896,550	2,495,507	
<b>Net position, end of the year</b>				<b>15,693,977</b>	<b>14,968,071</b>	<b>30,662,048</b>	
				<b>\$ 15,781,175</b>	<b>\$ 14,946,390</b>	<b>\$ 30,727,565</b>	

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

**City of Weed  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Boles Fire Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 62,540	\$ 64,615	\$ 149,337	\$ 422,643	\$ 699,135
Receivables (net of allowance for doubtful accounts):					
Loans	440,393	1,387,864	-	-	1,828,257
Intergovernmental	88,440	-	-	-	88,440
Other	-	-	10,248	-	10,248
Due from other funds	<u>836,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>836,426</u>
Total assets	<u><u>\$ 1,427,799</u></u>	<u><u>\$ 1,452,479</u></u>	<u><u>\$ 159,585</u></u>	<u><u>\$ 422,643</u></u>	<u><u>\$ 3,462,506</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 205,031	\$ 3,588	\$ 11,247	\$ 11,409	\$ 231,275
Accrued liabilities	9,633	-	413	1,601	11,647
Unearned revenue	-	-	-	357,265	357,265
Total liabilities	<u>214,664</u>	<u>3,588</u>	<u>11,660</u>	<u>370,275</u>	<u>600,187</u>
Fund balances:					
Nonspendable:					
Noncurrent receivables	<u>440,393</u>	<u>1,387,864</u>	<u>-</u>	<u>-</u>	<u>1,828,257</u>
Restricted for:					
Streets and roads	-	-	147,925	-	147,925
Public safety	14,746	-	-	-	14,746
Parks maintenance	4,510	-	-	-	4,510
Community and economic development	-	61,027	-	-	61,027
Boles fire	-	-	-	52,368	52,368
Total	<u>19,256</u>	<u>61,027</u>	<u>147,925</u>	<u>52,368</u>	<u>280,576</u>
Assigned for:					
Special projects	<u>599,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,339</u>
Unassigned	<u>154,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,147</u>
Total fund balance	<u><u>1,213,135</u></u>	<u><u>1,448,891</u></u>	<u><u>147,925</u></u>	<u><u>52,368</u></u>	<u><u>2,862,319</u></u>
Total liabilities and fund balance	<u><u>\$ 1,427,799</u></u>	<u><u>\$ 1,452,479</u></u>	<u><u>\$ 159,585</u></u>	<u><u>\$ 422,643</u></u>	<u><u>\$ 3,462,506</u></u>

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

**City of Weed**  
**Reconciliation of the Balance Sheet - Governmental Funds to the**  
**Government-Wide Statement of Net Position**  
**For The Year Ended June 30, 2017**

Total fund balances included in the Balance Sheet - Governmental Funds	\$ 2,862,319
Assets recorded within the Statement of Net Position not reported in the funds:	
Nondepreciable capital assets	6,498,827
Depreciable capital assets	15,697,923
Accumulated depreciation	<u>(6,864,915)</u> 8,833,008
Deferred inflows (outflows) recorded within the statement of net position not reported in the funds:	
Deferred inflows of resources relating to pensions	(587,083)
Deferred outflows of resources relating to pensions	385,036
Liabilities recorded within the Statement of Net Position not reported in the funds:	
Compensated absences	(110,731)
Net pension liability	(2,037,387)
Long-term debt	<u>(62,814)</u>
Total net position of governmental activities	<u><u>\$ 15,781,175</u></u>

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

**City of Weed**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For The Year Ended June 30, 2017**

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Boles Fire Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 602,982	\$ -	\$ -	\$ -	\$ 602,982
Sales and use taxes	995,721	237,009	-	-	1,232,730
Transient occupancy taxes	330,482	-	80,969	-	411,451
Franchise and other taxes	85,415	-	-	-	85,415
Licenses and permits	11,544	-	-	-	11,544
Fines, forfeitures and penalties	6,341	-	-	-	6,341
Intergovernmental revenues	421,541	1,003,924	246,453	141,891	1,813,809
Charges for services	111,141	-	-	-	111,141
Use of money and property	86,861	19,780	-	-	106,641
Other	37,243	-	-	238,225	275,468
Total revenues	<u>2,689,271</u>	<u>1,260,713</u>	<u>327,422</u>	<u>380,116</u>	<u>4,657,522</u>
<b>EXPENDITURES</b>					
Current:					
General government	918,049	-	-	-	918,049
Police protection	1,414,853	-	-	-	1,414,853
Fire protection	450,564	-	-	204,876	655,440
Streets and roads	71,157	-	222,977	-	294,134
Community and economic development	20,207	181,482	142,942	-	344,631
Bad debt expense (recovery)	276,648	200,664	-	-	477,312
Capital outlay	189,225	1,007,300	-	232,892	1,429,417
Debt service:					
Principal	20,477	-	-	-	20,477
Interest	294	-	-	-	294
Total expenditures	<u>3,361,474</u>	<u>1,389,446</u>	<u>365,919</u>	<u>437,768</u>	<u>5,554,607</u>
Excess of revenues over (under) expenditures	<u>(672,203)</u>	<u>(128,733)</u>	<u>(38,497)</u>	<u>(57,652)</u>	<u>(897,085)</u>
<b>OTHER FINANCING USES</b>					
Operating transfers in (out)	<u>89,068</u>	<u>(124,186)</u>	<u>-</u>	<u>-</u>	<u>(35,118)</u>
Excess of revenues and other financing uses over (under) expenditures	<u>(583,135)</u>	<u>(252,919)</u>	<u>(38,497)</u>	<u>(57,652)</u>	<u>(932,203)</u>
<b>FUND BALANCE</b>					
Beginning of year	<u>1,796,270</u>	<u>1,701,810</u>	<u>186,422</u>	<u>110,020</u>	<u>3,794,522</u>
End of the year	<u>\$ 1,213,135</u>	<u>\$ 1,448,891</u>	<u>\$ 147,925</u>	<u>\$ 52,368</u>	<u>\$ 2,862,319</u>

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

**City of Weed**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance - Governmental Funds to the Government-Wide Statement of Activities**  
**For The Year Ended June 30, 2017**

Total net change in fund balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ (932,203)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,429,417	
Depreciation expense	<u>(379,895)</u>	1,049,522

The issuance of long-term debt (i.e. leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments on debt	20,477	
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In governmental funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis. (36,369)

Some transactions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences expense	(14,229)	
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Other

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Change in net position of governmental activities	<u>\$ 87,198</u>	
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**City of Weed**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 212,463	\$ 182,698	\$ 395,161
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	67,266	66,405	60,656	194,327
Intergovernmental	176,105	-	-	176,105
Total cu	<u>243,371</u>	<u>278,868</u>	<u>243,354</u>	<u>765,593</u>
Capital assets:				
Non-depreciable	24,090	4,232,089	-	4,256,179
Depreciable, net	<u>7,988,334</u>	<u>3,411,232</u>	<u>-</u>	<u>11,399,566</u>
Total capital assets, net	<u>8,012,424</u>	<u>7,643,321</u>	<u>-</u>	<u>15,655,745</u>
Total assets	<u>8,255,795</u>	<u>7,922,189</u>	<u>243,354</u>	<u>16,421,338</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	<u>25,413</u>	<u>17,450</u>	<u>-</u>	<u>42,863</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	97,002	17,772	20,008	134,782
Accrued liabilities	3,553	1,583	-	5,136
Deposits	71,034	-	-	71,034
Due to other funds	836,426	-	-	836,426
Current portion of compensated absences	21,705	17,841	7,830	47,376
Current portion of long-term debt	29,044	29,044	-	58,088
Total current liabilities	<u>1,058,764</u>	<u>66,240</u>	<u>27,838</u>	<u>1,152,842</u>
Long-term liabilities:				
Net pension liability	134,471	92,337	-	226,808
Compensated absences, net of current portion	2,411	1,982	870	5,263
Long-term debt, net of current portion	33,771	33,771	-	67,542
Total long-term liabilities	<u>170,653</u>	<u>128,090</u>	<u>870</u>	<u>299,613</u>
Total liabilities	<u>1,229,417</u>	<u>194,330</u>	<u>28,708</u>	<u>1,452,455</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	<u>38,748</u>	<u>26,608</u>	<u>-</u>	<u>65,356</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,949,609	7,580,506	-	15,530,115
Unrestricted	<u>(936,566)</u>	<u>138,195</u>	<u>214,646</u>	<u>(583,725)</u>
Total net position	<u>\$ 7,013,043</u>	<u>\$ 7,718,701</u>	<u>\$ 214,646</u>	<u>\$ 14,946,390</u>

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

**City of Weed**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For The Year Ended June 30, 2017**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>REVENUES</b>				
User fees and charges	\$ 591,376	\$ 522,301	\$ 530,598	\$ 1,644,275
<b>OPERATING EXPENSES</b>				
Cost of power	49,949	94,535	-	144,484
Maintenance, operations, and administration	731,223	442,826	526,899	1,700,948
Depreciation	223,720	147,633	-	371,353
Total operating expenses	<u>1,004,892</u>	<u>684,994</u>	<u>526,899</u>	<u>2,216,785</u>
Operating income (loss)	(413,516)	(162,693)	3,699	(572,510)
<b>OTHER REVENUES (EXPENSES)</b>				
Intergovernmental revenues	285,770	228,934	5,000	519,704
Interest earned	98	-	-	98
Interest expense	(1,744)	(2,347)	-	(4,091)
Total other revenues (expenses)	<u>284,124</u>	<u>226,587</u>	<u>5,000</u>	<u>515,711</u>
Income before operating transfers	(129,392)	63,894	8,699	(56,799)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	17,559	17,559	-	35,118
Total other financing sources	<u>17,559</u>	<u>17,559</u>	<u>-</u>	<u>35,118</u>
Change in net position	(111,833)	81,453	8,699	(21,681)
<b>NET POSITION</b>				
Beginning of year, as previously reported	5,228,326	7,637,248	205,947	13,071,521
Prior period adjustment	1,896,550	-	-	1,896,550
Beginning of year, as restated	<u>7,124,876</u>	<u>7,637,248</u>	<u>205,947</u>	<u>14,968,071</u>
End of the year	<u>\$ 7,013,043</u>	<u>\$ 7,718,701</u>	<u>\$ 214,646</u>	<u>\$ 14,946,390</u>

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

**City of Weed**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2017**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 574,754	\$ 510,342	\$ 520,776	\$ 1,605,872
Payments to suppliers	(325,067)	(439,229)	(506,940)	(1,271,236)
Payments to or on behalf of employees	(121,508)	(72,287)	(274)	(194,069)
Net cash provided (used) by operating activities	<u>128,179</u>	<u>(1,174)</u>	<u>13,562</u>	<u>140,567</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues	-	-	5,000	5,000
Interest earned	98	-	-	98
Interfund transfers and payments	<u>17,559</u>	<u>17,559</u>	-	35,118
Net cash provided by non-capital financing activities	<u>17,657</u>	<u>17,559</u>	<u>5,000</u>	<u>40,216</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Intergovernmental revenues	1,057,940	228,934	-	-
Purchase of capital assets	(1,181,556)	(259,989)	-	(1,441,545)
Principal payments on capital debt	(20,476)	(32,476)	-	(52,952)
Interest payments on capital debt	(1,744)	(2,347)	-	(4,091)
Net cash used by capital and related financing activities	<u>(145,836)</u>	<u>(65,878)</u>	-	<u>(1,498,588)</u>
Net increase (decrease) in cash	-	(49,493)	18,562	(1,317,805)
Cash and investments, beginning of the year	<u>-</u>	<u>261,956</u>	<u>164,136</u>	<u>426,092</u>
Cash and investments, end of year	<u>\$ -</u>	<u>\$ 212,463</u>	<u>\$ 182,698</u>	<u>\$ 395,161</u>
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	\$ (413,516)	\$ (162,693)	\$ 3,699	\$ (572,510)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	223,720	147,633	-	371,353
(Increase) decrease in:				
Accounts receivable	(21,058)	(11,959)	(9,822)	(42,839)
Due from other funds	-	-	-	-
Increase (decrease) in:				
Accounts payable	81,514	1,781	19,959	103,254
Accrued liabilities	(3,467)	(3,731)	-	(7,198)
Deposits	4,436	-	-	4,436
Due to other funds	228,620	-	-	228,620
Compensated absences	4,479	2,362	(274)	6,567
Net pension liability	50,392	40,910	-	91,302
Deferred inflows from pensions	(26,941)	(15,477)	-	(42,418)
Net cash provided (used) by operating activities	<u>\$ 128,179</u>	<u>\$ (1,174)</u>	<u>\$ 13,562</u>	<u>\$ 140,567</u>

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Weed, California (hereafter “the City”) is legally incorporated under California municipal law, and is governed by a five member City Council. The City provides the following services: public safety, streets and roads, water, sewer, and solid waste services, community development 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**

The financial statement presentation required by GASB Statements Nos. 34, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the City’s overall financial position and results of operations while maintaining the presentation of the financial position, results of operations and cash flows, as applicable, of the City’s major funds.

Government-wide Financial Statements:

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

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements:

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

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

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

The funds of the City are described below:

Major Governmental Funds:

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

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

The Special Revenue Fund accounts for gas tax revenues and various community development projects.

The Boles Fire Fund accounts for revenues and expenditures that have arisen from the fire that occurred on September 15, 2014.

Major Proprietary Funds:

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

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

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**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 position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net asset.

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. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

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

**D. Assets, Liabilities, Net Position or Fund Equity**

Cash and Cash Equivalents:

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Capital Assets:

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

The cost of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

In the government-wide financial statements, property, plant, equipment and infrastructure assets with a cost, as defined below, of \$1,000 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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility plant	50 years
Buildings	40 years
Machinery and equipment	5 to 40 years
Infrastructure	20-50 years

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Unearned revenues:

Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Compensated Absences:

Vacation pay and compensated time off is vested to the employees as it accrues and is payable upon separation of service and therefore, have been accrued in the accompanying financial statements.

Net Pension Asset/Liability:

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

Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Deferred Outflows of Resources and Deferred Inflows of Resources:

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

The deferred outflows of resources and deferred inflows of resources relate to the City's pension.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Equity Classifications:

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

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

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

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

Fund Balance Classification:

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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 public safety, streets and roads, community development and parks maintenance 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, 2017.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City had assigned resources for various special projects as of June 30, 2017.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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.

**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, except for loan activity in the Community and Economic Development Block Grant Fund which is budgeted on an inflow and outflow of resources basis. 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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 2. 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, 2017 are classified in the accompanying financial statements as follows:

<u>Statement of Net Assets:</u>		
Governmental activities	\$	699,135
Business-type activities		395,161
	\$	1,094,296
<u>Consisting of:</u>		
Deposits with financial institutions	\$	1,090,170
Local Agency Investment Fund (LAIF)		3,726
Cash on hand		400
	\$	1,094,296

Investments Authorized:

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

Disclosure Relating to Interest Rate Risk:

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Local Agency Investment Fund	\$ 3,726	\$ 3,726	194 day average

Disclosure Relating to Credit Risk:

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

Concentration of Credit Risk:

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 2. CASH AND INVESTMENTS (continued)**

Custodial Credit Risk:

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

The City's balance in banks was \$1,186,252, 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 because of outstanding checks and deposits in transit.

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

Investment in State Investment Pool (LAIF):

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

**NOTE 3. LOANS RECEIVABLE**

The following is the composition of loans receivable at June 30, 2017:

Community development loan programs	\$ 1,838,228
Economic development loan programs	688,714
	<hr/>
	2,526,942
Less: allowance for doubtful accounts	(698,685)
	<hr/>
Loans receivable, net	\$ 1,828,257

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 4. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS**

The following is a summary of the interfund receivables and payables at June 30, 2017:

	Due from Other Funds	Due to Other Funds	Net Due to/from Other Funds
<b>Governmental Activities</b>			
General Fund	\$ 836,426	\$ -	\$ 836,426
<b>Total Governmental Activities</b>	<b>836,426</b>	<b>-</b>	<b>836,426</b>
<b>Business-Type Activities</b>			
Water Fund	-	836,426	(836,426)
<b>Total Business Type Activities</b>	<b>-</b>	<b>836,426</b>	<b>(836,426)</b>
<b>Total Government Wide Statement</b>	<b>\$ 836,426</b>	<b>\$ 836,426</b>	<b>\$ -</b>

The above amounts are to cover negative cash balances in the respective funds' pooled cash accounts, and will be repaid by transferring monies from other cash accounts or from future revenues.

The following is a summary of operating transfers in / out for the year ended June 30, 2017:

	Transfers In	Transfers Out	Transfers
<b>Governmental Activities</b>			
General Fund	\$ 124,186	\$ 35,118	\$ 89,068
Community/Economic Development			
Block Grant Fund	-	124,186	(124,186)
<b>Total Governmental Activities</b>	<b>124,186</b>	<b>159,304</b>	<b>(35,118)</b>
<b>Business-Type Activities</b>			
Water Fund	17,559	-	17,559
Sewer Fund	17,559	-	17,559
<b>Total Business Type Activities</b>	<b>35,118</b>	<b>-</b>	<b>35,118</b>
<b>Total Government Wide Statement</b>	<b>\$ 159,304</b>	<b>\$ 159,304</b>	<b>\$ -</b>

Transfers are to account for the purchase of assets and acquisition of associated debt that needed to be split between funds.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows. Beginning balance have been restated based on the prior period adjustment describe in Note 12.

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
<b>Governmental activities:</b>				
<b>Nondepreciable capital assets</b>				
Land	\$ 6,498,827	\$ -	\$ -	\$ 6,498,827
<b>Total nondepreciable capital assets</b>	<b>6,498,827</b>	<b>-</b>	<b>-</b>	<b>6,498,827</b>
<b>Depreciable capital assets</b>				
Infrastructure	8,989,279	1,195,093	-	10,184,372
Buildings	2,448,357	-	-	2,448,357
Machinery and equipment	2,830,870	234,324	-	3,065,194
<b>Total depreciable capital assets</b>	<b>14,268,506</b>	<b>1,429,417</b>	<b>-</b>	<b>15,697,923</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	2,777,089	203,105	-	2,980,194
Buildings	1,256,849	47,019	-	1,303,868
Machinery and equipment	2,451,082	129,771	-	2,580,853
<b>Total accumulated depreciation</b>	<b>6,485,020</b>	<b>379,895</b>	<b>-</b>	<b>6,864,915</b>
<b>Depreciable capital assets, net</b>	<b>7,783,486</b>	<b>1,049,522</b>	<b>-</b>	<b>8,833,008</b>
<b>Subtotal, governmental capital assets, net</b>	<b>14,282,313</b>	<b>1,049,522</b>	<b>-</b>	<b>15,331,835</b>
<b>Business-type activities:</b>				
<b>Nondepreciable capital assets</b>				
Land	4,022,858	-	(12,150)	4,010,708
Construction in progress	-	245,471	-	245,471
<b>Total nondepreciable capital assets</b>	<b>4,022,858</b>	<b>245,471</b>	<b>(12,150)</b>	<b>4,256,179</b>
<b>Depreciable capital assets</b>				
Infrastructure	15,588,783	339,297	-	15,928,080
Buildings	301,374	-	-	301,374
Machinery and equipment	405,681	26,668	-	432,349
<b>Total depreciable capital assets</b>	<b>16,295,838</b>	<b>365,965</b>	<b>-</b>	<b>16,661,803</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	4,421,781	313,264	-	4,735,045
Buildings	265,895	4,899	-	270,794
Machinery and equipment	203,208	53,190	-	256,398
<b>Total accumulated depreciation</b>	<b>4,890,884</b>	<b>371,353</b>	<b>-</b>	<b>5,262,237</b>
<b>Depreciable capital assets, net</b>	<b>11,404,954</b>	<b>(5,388)</b>	<b>-</b>	<b>11,399,566</b>
<b>Subtotal, business-type capital assets, net</b>	<b>15,427,812</b>	<b>240,083</b>	<b>(12,150)</b>	<b>15,655,745</b>
<b>Total, government-wide capital assets</b>	<b>\$ 29,710,125</b>	<b>\$ 1,289,605</b>	<b>\$ (12,150)</b>	<b>\$ 30,987,580</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 5. CAPITAL ASSETS (continued)**

Depreciation and amortization expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
General government	\$ 62,503
Public safety	83,777
Streets and roads	231,360
Community and economic development	2,255
<b>Total depreciation expense - governmental activities</b>	<b>\$ 379,895</b>

  

<b>Business-type activities:</b>	
Water fund	\$ 223,720
Sewer fund	147,633
<b>Total depreciation expense - business-type activities</b>	<b>\$ 371,353</b>

**NOTE 6. RISK MANAGEMENT**

The City participates in the following public entity risk pools:

The Small Cities Organized Risk Effort (S.C.O.R.E.) covers general liability claims in an amount up to \$500,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met S.C.O.R.E. becomes responsible for payment of all claims up to the limit

The California Joint Risk Management Authority covers general liability claims that exceed S.C.O.R.E. coverage up to a maximum of \$5,000,000. The premium for this coverage is included with the annual payments made to S.C.O.R.E.

The Small Cities Organized Risk Effort covers workers' compensation claims up to the statutory limit. The City has no deductible for these claims.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

There have been no significant reductions of coverage or insurance settlements that exceed insurance coverage for the past three years.

S.C.O.R.E. is governed by a board consisting of representatives from member municipalities. The board controls the operations of the risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

Audited financial information for the risk pool may be obtained from S.C.O.R.E. c/o Alliant Insurance Services, Inc., 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 7. LONG-TERM DEBT**

The following is a summary of long-term liabilities activity during the year ended June 30, 2017:

Certificates of Participation:

The City issued certificates of participation for a 1977 sewer system upgrade. Interest is charged at a rate of 5% and principal and interest payments are due annually. The debt matured June 30, 2017.

Capital Lease:

In 2013, the City entered into a lease agreement for financing of equipment valued at \$92,818. That equipment has been capitalized and is begin depreciated over its estimated useful life. This lease agreement qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments are as follows:

<b>Capital lease (1)</b>		
Interest rate		3.20%
Maturity date		July 1, 2018
Year Ended June 30,	Principal	Interest
2018	\$ 38,428	\$ 881

In 2016, the City entered into a lease agreement for financing of equipment valued at \$237,462. That equipment has been capitalized and is begin depreciated over its estimated useful life. This lease agreement qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments are as follows:

<b>Capital lease (2)</b>		
Interest rate		2.65%
Maturity date		February 15, 2020
Year Ended June 30,	Principal	Interest
2018	\$ 48,703	\$ 3,975
2019	49,994	2,685
2020	51,319	1,360
	\$ 150,016	\$ 8,020

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 7. LONG-TERM DEBT (Continued)**

Changes in the City's long-term debt for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental activities:</b>					
Capital leases	\$ 83,291	\$ -	\$ 20,477	\$ 62,814	\$ 29,043
<b>Total governmental activities</b>	<b>\$ 26,359</b>	<b>\$ -</b>	<b>\$ 20,477</b>	<b>\$ 62,814</b>	<b>\$ 29,043</b>
<b>Business-type activities:</b>					
Capital leases	\$ 166,582	\$ -	\$ 40,952	\$ 125,630	\$ 58,088
Certificates of Participation	12,000	- -	12,000	-	-
<b>Total business-type activities</b>	<b>\$ 86,716</b>	<b>\$ -</b>	<b>\$ 52,952</b>	<b>\$ 125,630</b>	<b>\$ 58,088</b>

**NOTE 8. COMPENSATED ABSENCES**

Compensated absence activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental activities:</b>					
General fund	\$ 96,502	\$ 14,229	\$ -	\$ 110,731	\$ 99,658
<b>Business-type activities:</b>					
Water fund	19,637	4,479	- -	24,116	21,705
Sewer fund	17,461	2,362	- -	19,823	17,841
Solid Waste fund	8,974	- -	274	8,700	7,830
<b>Total business-type activities</b>	<b>46,072</b>	<b>6,841</b>	<b>274</b>	<b>52,639</b>	<b>47,376</b>
<b>Total compensated absences</b>	<b>\$ 142,574</b>	<b>\$ 21,070</b>	<b>\$ 274</b>	<b>\$ 163,370</b>	<b>\$ 147,034</b>

**NOTE 9. PENSION PLAN**

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 9. PENSION PLAN (Continued)**

statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**Funding Policy**

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Safety Plan</b>	<b>PEPRA Safety Plan</b>
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2% at 55	2% at 57
Benefit vesting formula	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits (as a % of eligible compensation)	1.426% to 2.00%	1.426 to 2.00%
Required employee contribution rates 2015-16	7.000%	9.500%
Required employer contribution rates 2015-16	11.530%	9.069%

	<b>Miscellaneous Plan</b>	<b>PEPRA Miscellaneous Plan</b>
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting formula	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits (as a % of eligible compensation)	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates 2015-16	7.000%	6.250%
Required employer contribution rates 2015-16	6.709%	6.237%

**Contributions**

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 9. PENSION PLAN (continued)**

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	<b>Safety Plan</b>	<b>PEPRA Safety Plan</b>	<b>Miscellaneous Plan</b>	<b>PEPRA Miscellaneous</b>
Contributions – employer	\$ 44,511	\$ 10,370	\$ 55,708	\$ 10,899
Contributions – employee	25,846	10,460	52,942	10,393

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

As of June 30, 2017, the City reported a net pension liability of \$2,264,195 for its proportionate share of the net pension liability. The breakdown of the net pension asset between the plans is:

Safety Plan	\$ 1,162,769
Miscellaneous Plan	1,101,426
<b>Total Net Pension Liability</b>	<b>\$ 2,264,195</b>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was:

Safety Plan	0.03347%
Miscellaneous Plan	0.03171%

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

For the year ended June 30, 2017, the City recognized pension expense of \$163,159. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement	\$ -	\$ -
Difference between actual and expected experience	348,981	-
Change in assumptions	-	69,370
Change in employer's proportion	75,958	318,492
Difference between employer's actual contributions and employer's proportionate share of contributions	2,960	10,166
Net differences between projected and actual earnings on plan investments	-	254,411
<b>Total</b>	<b>\$ 427,899</b>	<b>\$ 652,439</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 9. PENSION PLAN (continued)**

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

Year ending June 30		
2017	\$	(253,478)
2018		(201,931)
2019		140,211
2020		90,658
2021		-
Thereafter		-

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined for Miscellaneous Classic and PEPRA, and Safety Classic and PEPRA plans using the following actuarial assumptions:

June 30, 2017	
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Projected salary increase	Varies by age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation
Mortality	20

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.60%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 9. PENSION PLAN (continued)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<b>Asset Class</b>	Target Allocation	Rate of Return	
		Years 1-10*	Years 11+ **
Global equity	51%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
<b>Total</b>	100%		

**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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's Net Pension Liability – Safety Plan	\$ 1,829,659	\$ 1,162,769	\$ 615,320
Plan's Net Pension Liability – Miscellaneous	1,869,587	1,101,426	466,579
<b>Total</b>	<b>\$ 3,699,246</b>	<b>\$ 2,264,195</b>	<b>\$ 1,081,899</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**NOTE 9. PENSION PLAN (continued)**

**Pension Plan Fiduciary Net Position**

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

**NOTE 10. CONTINGENCIES**

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

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

**NOTE 11. OVEREXPENDITURE OF BUDGET**

The excess expenditures over appropriations, describes a budgetary violation that occurred for the year under audit. For the year ended June 30, 2017, expenditures exceeded appropriations in the Special Revenue Fund by \$205,173 as the City's budget did not include a special project that began mid-year.

**NOTE 12. PRIOR PERIOD ADJUSTMENT**

During the current year, the City identified errors in the previously issued financial statements, resulting in prior period adjustments as follows:

Grant receivable and related revenue for a construction project was not recorded as of June 30, 2016. The effect of this correction is reported as an increase to beginning net position of \$948,275 on the Statement of Revenues, Expenses, and Changes in Fund Balances – Proprietary Funds – Water Fund as well as the Statement of Activities – Business-Type Activities.

Infrastructure was not properly capitalized during the year ended June 30, 2016, but instead included as an expense. The effect of this correction is reported as an increase to beginning net position of \$948,275 on the Statement of Revenues, Expenses, and Changes in Fund Balances – Proprietary Funds – Water Fund as well as the Statement of Activities – Business-Type Activities, and an increase to beginning net position of \$598,957 on the Statement of Activities – Governmental Activities.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Weed**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 678,000	\$ 678,000	\$ 602,982	\$ (75,018)
Sales and use taxes	1,277,000	1,277,000	995,721	(281,279)
Transient occupancy taxes	300,000	300,000	330,482	30,482
Franchise and other taxes	76,000	76,000	85,415	9,415
Licenses and permits	-	-	11,544	11,544
Fines, forfeitures and penalties	10,000	10,000	6,341	(3,659)
Intergovernmental revenues	-	-	421,541	421,541
Charges for services	150,000	150,000	111,141	(38,859)
Use of money and property	450	450	86,861	86,411
Other	-	-	37,243	37,243
Total revenues	<u>2,491,450</u>	<u>2,491,450</u>	<u>2,689,271</u>	<u>197,821</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,376,538	1,376,538	918,049	458,489
Police protection	1,287,819	1,287,819	1,414,853	(127,034)
Fire protection	253,608	253,608	450,564	(196,956)
Streets and roads	2,137,987	2,137,987	71,157	2,066,830
Community and economic development	-	-	20,207	(20,207)
Capital outlay	503,916	503,916	189,225	314,691
Bad debt (recovery)	-	-	276,648	(276,648)
Debt service				
Principal	-	-	20,477	(20,477)
Interest	-	-	294	(294)
Total expenditures	<u>5,559,868</u>	<u>5,559,868</u>	<u>3,361,474</u>	<u>2,198,394</u>
Excess of revenues over expenditures	<u>(3,068,418)</u>	<u>(3,068,418)</u>	<u>(672,203)</u>	<u>2,396,215</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in (out)	-	-	89,068	(89,068)
Excess of revenues and other financing sources over (under) expenditures	<u>(3,068,418)</u>	<u>(3,068,418)</u>	<u>(583,135)</u>	<u>2,307,147</u>
<b>FUND BALANCES</b>				
Beginning of the year	<u>1,412,814</u>	<u>1,412,814</u>	<u>1,796,270</u>	<u>(383,456)</u>
End of the year	<u>\$ (1,655,604)</u>	<u>\$ (1,655,604)</u>	<u>\$ 1,213,135</u>	<u>\$ 2,690,603</u>

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

**City of Weed  
Budgetary Comparison Schedule  
Community/Economic Development Block Grant Fund  
For The Year Ended June 30, 2017**

The City of Weed did not adopt a budget for the Community/Economic Development Block Grant Fund for the year ended June 30, 2017.

**City of Weed**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For The Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
<b>REVENUES</b>				
Transient occupancy taxes	\$ 69,000	\$ 69,000	\$ 80,969	\$ 11,969
Intergovernmental	142,500	142,500	246,453	103,953
<b>Total revenues</b>	<b>211,500</b>	<b>211,500</b>	<b>327,422</b>	<b>115,922</b>
<b>EXPENDITURES</b>				
Current:				
Streets and roads	92,246	92,246	222,977	(130,731)
Community and economic development	68,500	68,500	142,942	(74,442)
<b>Total expenses</b>	<b>160,746</b>	<b>160,746</b>	<b>365,919</b>	<b>(205,173)</b>
Excess of revenues and other financing sources over (under) expenditures	50,754	50,754	(38,497)	(89,251)
<b>FUND BALANCES</b>				
Beginning of the year	595,302	595,302	186,422	(408,880)
<b>End of the year</b>	<b>\$ 646,056</b>	<b>\$ 646,056</b>	<b>\$ 147,925</b>	<b>\$ (498,131)</b>

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

**City of Weed  
Budgetary Comparison Schedule  
Boles Fire Fund  
For The Year Ended June 30, 2017**

The City of Weed did not adopt a budget for the Boles Fire Fund for the year ended June 30, 2017.

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

**City of Weed**  
**A Cost Sharing Defined Benefit Pension Plan**  
**As of June 30, 2017**  
**Last 10 Years (1)**

**City of Weed Employee's Retirement System - Schedule of the City's Proportionate Share of the Net Pension Liability**

Safety Plan	6/30/2016 (1)	6/30/2015 (1)	6/30/2014 (1)
City's proportion of the net pension liability (asset)	0.03347%	0.03211%	0.04202%
City's proportion share of the net pension liability (asset)	\$ 1,162,769	\$ 880,956	\$ 1,038,621
City's covered payroll	\$ 473,771	\$ 521,777	\$ 424,149
City's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	245.43%	168.84%	244.87%
City's proportionate share of the fiduciary net pension liability as a percentage of the plan's total pension liability	76.33%	81.83%	78.22%
City's proportionate share of aggregate employer contributions (2)	\$ 129,577	\$ 135,017	\$ 105,596
Miscellaneous Plan	6/30/2016 (1)	6/30/2015 (1)	6/30/2014 (1)
City's proportion of the net pension liability (asset)	0.03171%	0.02712%	0.03512%
City's proportion share of the net pension liability (asset)	\$ 1,101,426	\$ 744,095	\$ 867,926
City's covered payroll	\$ 935,964	\$ 958,336	\$ 831,326
City's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	117.68%	77.64%	104.40%
City's proportionate share of the fiduciary net pension liability as a percentage of the plan's total pension liability	80.70%	86.43%	83.80%
City's proportionate share of aggregate employer contributions (2)	\$ 171,458	\$ 163,930	\$ 121,381

**Notes to the Schedules**

Valuation Date: 6/30/2015

(1) Historical information is required 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 shown on line 5 of the tables above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**City of Weed Employee's Retirement System - Schedule of the City's Contributions**

Safety Plan	6/30/2016 (1)	6/30/2015 (1)	6/30/2014 (1)
Actuarially determined contribution	\$ 122,833	\$ 113,167	\$ 89,799
Contributions in relation to the actuarially determined contributions	(48,389)	(36,638)	(89,799)
Contribution deficiency (excess)	<u>\$ 74,444</u>	<u>\$ 76,529</u>	<u>\$ -</u>
City's covered-employee payroll (2)	\$ 473,771	\$ 521,777	\$ 424,149
Contributions as a percentage of covered-employee payroll	25.93%	21.69%	21.17%
Miscellaneous Plan	6/30/2016 (1)	6/30/2015 (1)	6/30/2014 (1)
Actuarially determined contribution	\$ 82,281	\$ 69,271	\$ 65,290
Contributions in relation to the actuarially determined contributions	(59,538)	(22,771)	(65,290)
Contribution deficiency (excess)	<u>\$ 22,743</u>	<u>\$ 46,500</u>	<u>\$ -</u>
City's covered-employee payroll (2)	\$ 935,964	\$ 958,336	\$ 831,326
Contributions as a percentage of covered-employee payroll	8.79%	7.23%	7.85%

**Notes to the Schedules**

Valuation Date: 6/30/2015

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Payroll from prior year was assumed to increase by 3.00% payroll growth assumptions.

Change in Benefit Terms: None

Change in Assumptions: None

## OTHER SCHEDULES AND REPORTS

**City of Weed**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2017**

<u>Program Title</u>	<u>Federal ID #</u>	<u>Pass Through Grantor #</u>	<u>Federal Expenditures</u>	<u>Loan Disbursements Included In Expenditures</u>
<b>Department of Housing and Urban Development</b>				
<b>Passed through State of California Department of Housing and Community Development</b>				
Community Development Block Grants				
State's Program	14.228	13-CDBG-8941	<u>1,048,005</u>	_____ -
Total Department of Housing and Urban Development			<u>1,048,005</u>	_____ -
<b>US Department of Homeland Security</b>				
<b>FEMA</b>				
Assistance to Firefighters				
Federal Program		EMW-2014-FO-05954	<u>292,217</u>	_____ -
Total US Department of Homeland Security			<u>292,217</u>	_____ -
Total Expenditure of Federal Awards			<u><u>\$ 1,340,222</u></u>	<u><u>\$ _____ -</u></u>

Notes:

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements.

The Schedule of Expenditures of Federal Awards includes the federal grants activity of the City of Weed and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

City of Weed, California did not elect to use the 10% de minimis indirect cost rate.



**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 Weed, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Weed as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Weed, California's basic financial statements, and have issued our report thereon dated December 21, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs, that we consider to be a material weakness (2017-001).

**Compliance and Other Matters**

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

## **City of Weed, California's Response to Findings**

City of Weed, California's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Weed, California's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Aiello, Goodrich & Teuscher*

Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 21, 2018



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

To the City Council  
City of Weed, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Weed, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Weed, California's major federal programs for the year ended June 30, 2017. City of Weed, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Weed, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Weed, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City of Weed, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 21, 2018

**City of Weed, California**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of City of Weed, were prepared in accordance with GAAP.
2. One material weakness relating to the audit of the financial statements is reported in the *Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Weed, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for City of Weed expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2CFR Section 200.516 (a).
7. The programs tested as major programs included:  
-Community Development Block Grant State Programs, CFDA # 14.228
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. City of Weed was determined to be a low-risk auditee.

**City of Weed, California**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

Findings - Financial Statement Audit

**2017 - 001**

Audit Adjustments

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

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

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

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

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

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

Summary of Prior Audit Findings

2016-001 Audit Adjustments

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

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

Current Status: The discussion for Finding 2017-001 also applies to this Finding.