

**CITY OF WEED, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**City of Weed, California**  
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**June 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Weed, California

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

I 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Weed, California as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 35 and 37, the cost-sharing multiple employer defined benefit pension plan information on pages 38 and 39, and the single-employer defined benefit post-employment healthcare plan information on page 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining non-major fund financial statements on pages 41 and 42 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining non-major fund financial statements are 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*, I have also issued my report dated March 12, 2020, on my consideration of the City of Weed, California's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Charles W. Pillon, CPA  
Anderson, California

March 12, 2020

## BASIC FINANCIAL STATEMENTS

**City of Weed**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 537,832	\$ 709,006	\$ 1,246,838
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	201,647	201,647
Loans	1,627,248	-	1,627,248
Intergovernmental	561,913	247,963	809,876
Interfund balances	950,872	(950,872)	-
Total current assets	<u>3,677,865</u>	<u>207,744</u>	<u>3,885,609</u>
Capital assets:			
Non-depreciable	6,823,514	5,811,505	12,635,019
Depreciable, net	<u>10,201,811</u>	<u>10,709,883</u>	<u>20,911,694</u>
Total capital assets	<u>17,025,325</u>	<u>16,521,388</u>	<u>33,546,713</u>
Total assets	<u>20,703,190</u>	<u>16,729,132</u>	<u>37,432,322</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	722,433	92,084	814,517
Deferred outflows from OPEB	16,412	4,679	21,091
Total deferred outflows of resources	<u>738,845</u>	<u>96,763</u>	<u>835,608</u>
<b>LIABILITIES</b>			
Accounts payable	1,588,811	244,138	1,832,949
Accrued liabilities	65,653	5,477	71,130
Deposits	-	77,259	77,259
Unearned revenues	240,983	-	240,983
Accrued interest payable	11,559	-	11,559
Total current liabilities	<u>1,907,006</u>	<u>326,874</u>	<u>2,233,880</u>
Noncurrent liabilities:			
Net pension liability	2,298,892	293,025	2,591,917
Net OPEB obligation	648,125	184,764	832,889
Due within one year	60,463	44,668	105,131
Due in more than one year	<u>2,015,805</u>	<u>30,832</u>	<u>2,046,637</u>
Total noncurrent liabilities	<u>5,023,285</u>	<u>553,289</u>	<u>5,576,573</u>
Total liabilities	<u>6,930,291</u>	<u>880,162</u>	<u>7,810,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	185,655	23,664	209,319
<b>NET POSITION</b>			
Net investment in capital assets	15,039,897	16,487,175	31,527,073
Restricted	170,875	-	170,875
Unrestricted	<u>(884,683)</u>	<u>(565,106)</u>	<u>(1,449,790)</u>
Total net position	<u>\$ 14,326,089</u>	<u>\$ 15,922,069</u>	<u>\$ 30,248,158</u>

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

**City of Weed**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:							
General government	\$ 1,366,989	\$ 49,867	\$ -	\$ -	\$ (1,317,122)	\$ -	\$ (1,317,122)
Public safety	2,237,577	124,776	194,202	-	(1,918,599)	-	(1,918,599)
Streets and roads	455,519	-	318,907	-	(136,612)	-	(136,612)
Community and economic development	275,549	-	-	-	(275,549)	-	(275,549)
Total governmental activities	<u>4,335,634</u>	<u>174,643</u>	<u>513,109</u>	<u>-</u>	<u>(3,647,882)</u>	<u>-</u>	<u>(3,647,882)</u>
Business-type activities:							
Water	965,973	749,609	-	75,828	-	(140,536)	(140,536)
Sewer	637,423	614,691	-	359,504	-	336,772	336,772
Solid waste	604,285	587,121	10,000	-	-	(7,164)	(7,164)
Total business-type activities	<u>2,207,681</u>	<u>1,951,421</u>	<u>10,000</u>	<u>435,332</u>	<u>-</u>	<u>189,072</u>	<u>189,072</u>
Total primary government	<u>\$ 6,543,315</u>	<u>\$ 2,126,064</u>	<u>\$ 523,109</u>	<u>\$ 435,332</u>	<u>(3,647,882)</u>	<u>189,072</u>	<u>(3,458,810)</u>
General revenues:							
Taxes:							
Property taxes				631,099	-		631,099
Sales and use taxes				1,489,568	-		1,489,568
Transient occupancy taxes				435,449	-		435,449
Other taxes				85,984	-		85,984
Investment earnings				20,487	-		20,487
Sale of capital assets				-	-		-
Other				91,297	-		91,297
Total general revenues				<u>2,753,884</u>	<u>-</u>	<u>-</u>	<u>2,753,884</u>
Change in net position				<u>(893,998)</u>	<u>189,072</u>	<u>-</u>	<u>(704,926)</u>
Net position, beginning of year				<u>15,220,087</u>	<u>15,732,997</u>	<u>-</u>	<u>30,953,084</u>
Net position, end of the year				<u>\$ 14,326,089</u>	<u>\$ 15,922,069</u>	<u>\$ 30,248,158</u>	

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

**City of Weed  
Balance Sheet  
Governmental Funds  
June 30, 2019**

<u>Special Revenue Funds</u>					
	General Fund	Community and Economic Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 66,115	\$ 268,653	\$ 203,064	\$ 537,832
Receivables (net of allowance for doubtful accounts):					
Loans	387,003	1,240,245	-	-	1,627,248
Intergovernmental	532,624	-	-	29,289	561,913
Due from other funds	957,410	-	-	-	957,410
<b>Total assets</b>	<b><u>\$ 1,877,037</u></b>	<b><u>\$ 1,306,360</u></b>	<b><u>\$ 268,653</u></b>	<b><u>\$ 232,353</u></b>	<b><u>\$ 3,684,403</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	1,577,142	1,568	985	9,116	\$ 1,588,811
Accrued liabilities	64,394	-	784	475	65,653
Accrued interest payable	11,559	-	-	-	11,559
Due to other funds	-	6,538	-	-	6,538
Unearned revenue	-	-	240,983	-	240,983
<b>Total liabilities</b>	<b><u>1,653,095</u></b>	<b><u>8,106</u></b>	<b><u>242,752</u></b>	<b><u>9,591</u></b>	<b><u>1,913,544</u></b>
Fund balances:					
Nonspendable:					
Noncurrent receivables	387,003	1,240,245	-	-	1,627,248
Restricted for:					
Streets and roads	-	-	-	137,398	137,398
Public safety	3,066	-	-	-	3,066
Parks maintenance	4,510	-	-	-	4,510
Boles fire	-	-	25,901	-	25,901
<b>Total restricted</b>	<b><u>7,576</u></b>	<b><u>-</u></b>	<b><u>25,901</u></b>	<b><u>137,398</u></b>	<b><u>170,875</u></b>
Assigned for:					
Special projects	-	-	-	85,364	85,364
Unassigned (deficit)	(170,637)	58,009	-	-	(112,628)
<b>Total fund balance</b>	<b><u>223,942</u></b>	<b><u>1,298,254</u></b>	<b><u>25,901</u></b>	<b><u>222,762</u></b>	<b><u>1,770,859</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 1,877,037</u></b>	<b><u>\$ 1,306,360</u></b>	<b><u>\$ 268,653</u></b>	<b><u>\$ 232,353</u></b>	<b><u>\$ 3,684,403</u></b>

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, 2019**

Total fund balances included in the Balance Sheet - Governmental Funds	\$ 1,770,859
Assets recorded within the Statement of Net Position not reported in the funds:	
Nondepreciable capital assets	6,823,514
Depreciable capital assets	17,721,826
Accumulated depreciation	<u>(7,520,015)</u> 10,201,811
Deferred inflows (outflows) recorded within the statement of net position not reported in the funds:	
Deferred inflows of resources relating to pensions	(185,655)
Deferred outflows of resources relating to pensions	722,433
Deferred outflows of resources relating to OPEB	16,412
Liabilities recorded within the Statement of Net Position not reported in the funds:	
Compensated absences	(90,840)
Net pension liability	(2,298,892)
Net OPEB obligation	(648,125)
Long-term debt	<u>(1,985,428)</u>
Total net position of governmental activities	<u><u>\$ 14,326,089</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, 2019**

	Special Revenue Funds				
	General Fund	Community and Economic Development Block Grant Fund		Boles Fire Fund	Other Governmental Funds
		Boles Fire Fund	Other Governmental Funds	Total Governmental Funds	
<b>REVENUES</b>					
Property taxes	\$ 631,099	\$ -	\$ -	\$ -	\$ 631,099
Sales and use taxes	1,489,568	-	-	-	1,489,568
Transient occupancy taxes	348,467	-	-	86,982	435,449
Franchise and other taxes	85,984	-	-	-	85,984
Licenses and permits	10,406	-	-	-	10,406
Fines, forfeitures and penalties	12,466	-	-	-	12,466
Intergovernmental revenues	151,825	-	42,377	318,907	513,109
Charges for services	151,771	-	-	-	151,771
Use of money and property	7,947	12,540	-	-	20,487
Other	90,547	-	-	750	91,297
Total revenues	<u>2,980,080</u>	<u>12,540</u>	<u>42,377</u>	<u>406,639</u>	<u>3,441,636</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,314,295	-	-	-	1,314,295
Police protection	1,580,384	-	-	-	1,580,384
Fire protection	535,491	-	41,673	-	577,164
Streets and roads	211,865	-	-	15,677	227,542
Community and economic development	84,525	19,495	-	92,334	196,354
Public transportation	-	-	-	69,762	69,762
Bad debt expense (recovery)	12,640	(5,284)	-	-	7,356
Capital outlay	1,715,771	-	-	292,653	2,008,424
Debt service:					
Principal	58,761	-	-	-	58,761
Interest	14,235	-	-	-	14,235
Total expenditures	<u>5,527,967</u>	<u>14,211</u>	<u>41,673</u>	<u>470,426</u>	<u>6,054,277</u>
Excess of revenues over (under) expenditures	<u>(2,547,887)</u>	<u>(1,671)</u>	<u>704</u>	<u>(63,787)</u>	<u>(2,612,641)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from debt financing	1,527,961	-	-	-	1,527,961
Operating transfers in (out)	(116,846)	-	-	116,846	-
Total other financing sources	<u>1,411,115</u>	<u>-</u>	<u>-</u>	<u>116,846</u>	<u>1,527,961</u>
Excess of revenues and other financing uses over (under) expenditures	<u>(1,136,772)</u>	<u>(1,671)</u>	<u>704</u>	<u>53,059</u>	<u>(1,084,680)</u>
<b>FUND BALANCE</b>					
Beginning of year	1,360,714	1,299,925	25,197	169,703	2,855,539
End of the year	<u>\$ 223,942</u>	<u>\$ 1,298,254</u>	<u>\$ 25,901</u>	<u>\$ 222,762</u>	<u>\$ 1,770,859</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, 2019**

Total net change in fund balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ (1,084,680)

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	2,008,424	
Depreciation expense	<u>(433,861)</u>	1,574,563

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	58,761	
Proceeds from debt financing	<u>(1,527,961)</u>	

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. 119,630

In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. (52,141)

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	<u>17,830</u>	
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Change in net position of governmental activities \$ (893,998)

**City of Weed**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 551,021	\$ 157,985	\$ 709,006
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	85,264	60,465	55,918	201,647
Intergovernmental	123,027	124,936	-	247,963
Total current assets	<u>208,291</u>	<u>736,422</u>	<u>213,903</u>	<u>1,158,616</u>
Capital assets:				
Non-depreciable	948,059	4,863,446	-	5,811,505
Depreciable, net	7,579,563	3,130,320	-	10,709,883
Total capital assets, net	<u>8,527,622</u>	<u>7,993,766</u>	<u>-</u>	<u>16,521,388</u>
Total assets	<u>8,735,913</u>	<u>8,730,188</u>	<u>213,903</u>	<u>17,680,004</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	52,871	39,213	-	92,084
Deferred outflows from OPEB	1,993	2,686	-	4,679
Total deferred outflows of resources	<u>54,864</u>	<u>41,899</u>	<u>-</u>	<u>96,763</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	173,617	47,134	23,387	244,138
Accrued liabilities	3,959	1,518	-	5,477
Deposits	77,259	-	-	77,259
Due to other funds	922,790	28,082	-	950,872
Total current liabilities	<u>1,177,625</u>	<u>76,734</u>	<u>23,387</u>	<u>1,277,746</u>
Noncurrent liabilities:				
Net pension liability	168,243	124,782	-	293,025
Net OPEB obligation	78,717	106,047	-	184,764
Due within one year	20,591	20,591	3,485	44,667
Due in more than one year	9,108	12,616	9,108	30,832
Total noncurrent liabilities	<u>276,659</u>	<u>264,036</u>	<u>12,593</u>	<u>553,288</u>
Total liabilities	<u>1,454,284</u>	<u>340,770</u>	<u>35,980</u>	<u>1,831,034</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	<u>13,587</u>	<u>10,077</u>	<u>-</u>	<u>23,664</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,510,516	7,976,660	-	16,487,176
Unrestricted	<u>(1,187,610)</u>	<u>444,580</u>	<u>177,923</u>	<u>(565,107)</u>
Total net position	<u>\$ 7,322,906</u>	<u>\$ 8,421,240</u>	<u>\$ 177,923</u>	<u>\$ 15,922,069</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, 2019**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>REVENUES</b>				
User fees and charges	\$ 749,609	\$ 614,691	\$ 587,121	\$ 1,951,421
<b>OPERATING EXPENSES</b>				
Cost of power	42,315	87,252	-	129,567
Maintenance, operations, and administration	693,272	407,720	604,285	1,705,277
Depreciation	229,491	141,556	-	371,047
Total operating expenses	<u>965,078</u>	<u>636,528</u>	<u>604,285</u>	<u>2,205,891</u>
Operating income (loss)	(215,469)	(21,837)	(17,164)	(254,470)
<b>OTHER REVENUES (EXPENSES)</b>				
Intergovernmental revenues	75,828	359,504	10,000	445,332
Interest expense	(895)	(895)	-	(1,790)
Total other revenues (expenses)	<u>74,933</u>	<u>358,609</u>	<u>10,000</u>	<u>443,542</u>
Income before operating transfers	(140,536)	336,772	(7,164)	189,072
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in (out)	-	6,380	(6,380)	-
Total other financing sources	<u>-</u>	<u>6,380</u>	<u>(6,380)</u>	<u>-</u>
Change in net position	<u>(140,536)</u>	<u>343,152</u>	<u>(13,544)</u>	<u>189,072</u>
<b>NET POSITION</b>				
Beginning of year	7,463,442	8,078,088	191,467	15,732,997
End of the year	<u>\$ 7,322,906</u>	<u>\$ 8,421,240</u>	<u>\$ 177,923</u>	<u>\$ 15,922,069</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, 2019**

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 740,325	\$ 604,146	\$ 589,574	\$ 1,934,045
Payments to suppliers	(391,136)	(263,490)	(599,877)	(1,254,503)
Payments to or on behalf of employees	(232,300)	(170,098)	-	(402,398)
Net cash provided (used) by operating activities	<u>116,889</u>	<u>170,558</u>	<u>(10,303)</u>	<u>277,144</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues	-	-	10,000	10,000
Interfund transfers and payments	-	6,380	(6,380)	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>6,380</u>	<u>3,620</u>	<u>10,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Intergovernmental revenues	23,220	297,598	-	320,818
Purchase of capital assets	(122,549)	(359,304)	-	(481,853)
Principal payments on capital debt	(16,665)	(16,665)	-	(33,330)
Interest payments on capital debt	(895)	(895)	-	(1,790)
Net cash provided (used) by capital and related financing activities	<u>(116,889)</u>	<u>(79,266)</u>	<u>-</u>	<u>(196,155)</u>
Net increase (decrease) in cash	-	97,672	(6,683)	90,989
Cash and investments, beginning of the year	<u>-</u>	<u>453,349</u>	<u>164,668</u>	<u>618,017</u>
Cash and investments, end of year	<u>\$ -</u>	<u>\$ 551,021</u>	<u>\$ 157,985</u>	<u>\$ 709,006</u>
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	(215,469)	(21,837)	(17,164)	(254,470)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	229,491	141,556	-	371,047
(Increase) decrease in:				
Accounts receivable	(12,184)	(10,545)	2,453	(20,276)
Deferred outflows from pensions	14,901	6,575	-	21,476
Deferred outflows from OPEB	29	39	-	68
Due from other funds	-	5,148	-	5,148
Increase (decrease) in:				
Accounts payable	99,938	28,431	3,342	131,711
Accrued liabilities	(1,231)	(792)	-	(2,023)
Deposits	2,900	-	-	2,900
Due to other funds	34,828	28,082	-	62,910
Compensated absences	1,066	2,910	1,066	5,042
Net pension liability	(24,439)	(5,396)	-	(29,835)
Net OPEB obligation	6,304	8,492	-	14,796
Deferred inflows from pensions	<u>(19,245)</u>	<u>(12,105)</u>	<u>-</u>	<u>(31,350)</u>
Net cash provided (used) by operating activities	<u>\$ 116,889</u>	<u>\$ 170,558</u>	<u>\$ (10,303)</u>	<u>\$ 277,144</u>

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**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 specific 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 specific 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, 2019**

**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 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.

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

Gas Tax Fund was established to account for the construction and maintenance of the streets and roads of the City as financed by gas taxes received from the State.

SB1 RMRA Fund was established to account for the construction and maintenance of the streets and roads of the City as financed by gas taxes received from the State through the SB1 legislation.

STIP Fund was established to account for the construction of streets and roads of the Vista Drive project, as well as other projects, through the State Transportation Improvement Program.

Traffic Congestion Relief Fund was established to account for the monies received from the State for relief of traffic congestion within the City.

Traffic Study Fund was established to account for the funds received to develop a traffic study.

Community Development Fund was established to account for the portion of transient occupancy taxes collected for the investment in the development and promotion of the community.

**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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

In the fund financial statements, governmental and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 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.

Investments:

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

Receivables:

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

Property Taxes:

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

Interfund Balances:

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

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 \$5,000 or more, and a useful life of 2-years 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

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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

Other Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB obligation (liability), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Long-Term Obligations:

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

Deferred Outflows of Resources and Deferred Inflows of Resources:

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

The deferred outflows of resources and deferred inflows of resources relate to the City's pension and other postemployment benefits other than pensions (OPEB).

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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

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, 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, 2019.

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 has classified community development fund balances as assigned for the purposes of community development and promotion.

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 other fund balance amounts.

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

**E. Revenues, Expenditures and Expenses**

Operating Revenues and Expenses:

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

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character (current, debt service or capital outlay) for governmental funds, and by operating or nonoperating classifications for proprietary funds. In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

**F. Estimates**

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

**G. Budgets**

The City adopts an annual budget for the fiscal year commencing the following July 1. Budgets are adopted on a basis consistent with generally accepted accounting principles, 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.

**H. Implementation of New Pronouncement**

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 amends GASB 34 and 38 for fiscal years beginning after June 15, 2018, with earlier implementation encouraged. The primary objective of this Statement is to improve consistency in the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

**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, 2019 are classified in the accompanying financial statements as follows:

<b>Statement of Net Assets:</b>		
Governmental activities	\$	537,832
Business-type activities		709,006
	\$	1,246,838
<b>Consisting of:</b>		
Deposits with financial institutions	\$	1,242,567
Local Agency Investment Fund (LAIF)		3,855
Cash on hand		416
	\$	1,246,838

**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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

Disclosure Relating to Interest Rate Risk:

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Local Agency Investment Fund	<u>\$ 3,855</u>	<u>\$ 3,855</u>	173-day average

Disclosure Relating to Credit Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk:

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

The City's balance in banks was \$833,596, 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, as well as reclassifications of negative book balances to accounts payable.

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).

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

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, 2019:

Community development loan programs	\$ 1,379,637
Economic development loan programs	374,815
	<u>1,754,452</u>
Less: allowance for doubtful accounts	(127,204)
Loans receivable, net	<u>\$ 1,627,248</u>

**NOTE 4. INTERFUND BALANCES AND TRANSFERS**

The following is a summary of the interfund receivables and payables at June 30, 2019:

	Due from Other Funds	Due to Other Funds	Net Due to/from Other Funds
<b>Governmental Activities</b>			
General Fund	\$ 957,410	\$ -	\$ 957,410
Community/Economic Development			
Block Grant Fund	-	6,538	(6,538)
<b>Total Governmental Activities</b>	<b>957,410</b>	<b>6,538</b>	<b>950,872</b>
<b>Business-Type Activities</b>			
Water Fund	-	922,790	(922,790)
Sewer Fund	-	28,082	(28,082)
<b>Total Business Type Activities</b>	<b>-</b>	<b>950,872</b>	<b>(950,872)</b>
<b>Total Government Wide Statement</b>	<b>\$ 957,410</b>	<b>\$ 957,410</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.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 4. INTERFUND BALANCES AND TRANSFERS (Continued)**

The following is a summary of operating transfers in / out for the year ended June 30, 2019:

	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Transfers</b>
<b>Governmental Activities</b>			
General Fund	\$ -	\$ 116,846	\$ (116,846)
Non-major Governmental Funds	116,846	-	116,846
<b>Total Governmental Activities</b>	<b>116,846</b>	<b>116,846</b>	<b>-</b>
<b>Business-Type Activities</b>			
Solid Waste Fund	-	6,380	(6,380)
Sewer Fund	6,380	-	6,380
<b>Total Business Type Activities</b>	<b>6,380</b>	<b>6,380</b>	<b>-</b>
<b>Total Government Wide Statement</b>	<b>\$ 123,226</b>	<b>\$ 123,226</b>	<b>\$ -</b>

Transfers are to account for the operating activity that needed to be transferred to the correct fund.

**NOTE 5. CAPITAL ASSETS**

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

<b>Governmental activities</b>	
General government	\$ 66,936
Public safety	126,916
Streets and roads	225,292
Community and economic development	14,717
<b>Total depreciation expense - governmental activities</b>	<b>\$ 433,861</b>
<b>Business-type activities:</b>	
Water fund	\$ 229,491
Sewer fund	141,556
<b>Total depreciation expense - business-type activities</b>	<b>\$ 371,047</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

Capital asset activity for the year ended June 30, 2019 was as follows:

	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	\$ 288,727	\$ -	\$ 6,787,554
Intangible assets	-	32,034	-	32,034
Construction in progress	-	3,926	-	3,926
<b>Total nondepreciable capital assets</b>	<b>6,498,827</b>	<b>324,687</b>	<b>-</b>	<b>6,823,514</b>
<b>Depreciable capital assets</b>				
Infrastructure	10,184,372	-	-	10,184,372
Buildings	2,448,357	-	-	2,448,357
Machinery and equipment	3,405,360	1,683,737	-	5,089,097
<b>Total depreciable capital assets</b>	<b>16,038,089</b>	<b>1,683,737</b>	<b>-</b>	<b>17,721,826</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	3,183,299	203,105	-	3,386,404
Buildings	1,350,887	47,019	-	1,397,906
Machinery and equipment	2,551,968	183,737	-	2,735,705
<b>Total accumulated depreciation</b>	<b>7,086,154</b>	<b>433,861</b>	<b>-</b>	<b>7,520,015</b>
<b>Depreciable capital assets, net</b>	<b>8,951,935</b>	<b>1,249,876</b>	<b>-</b>	<b>10,201,811</b>
<b>Subtotal, governmental capital assets, net</b>	<b>15,450,762</b>	<b>1,574,563</b>	<b>-</b>	<b>17,025,325</b>
<b>Business-type activities:</b>				
<b>Nondepreciable capital assets</b>				
Land	4,191,789	-	-	4,191,789
Construction in progress	1,185,509	434,207	-	1,619,716
<b>Total nondepreciable capital assets</b>	<b>5,377,298</b>	<b>434,207</b>	<b>-</b>	<b>5,811,505</b>
<b>Depreciable capital assets</b>				
Infrastructure	15,928,080	-	-	15,928,080
Buildings	301,374	-	-	301,374
Machinery and equipment	432,349	47,646	-	479,995
<b>Total depreciable capital assets</b>	<b>16,661,803</b>	<b>47,646</b>	<b>-</b>	<b>16,709,449</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	5,055,095	320,050	-	5,375,145
Buildings	273,544	2,750	-	276,294
Machinery and equipment	299,880	48,247	-	348,127
<b>Total accumulated depreciation</b>	<b>5,628,519</b>	<b>371,047</b>	<b>-</b>	<b>5,999,566</b>
<b>Depreciable capital assets, net</b>	<b>11,033,284</b>	<b>(323,401)</b>	<b>-</b>	<b>10,709,883</b>
<b>Subtotal, business-type capital assets, net</b>	<b>16,410,582</b>	<b>110,806</b>	<b>-</b>	<b>16,521,388</b>
<b>Total, government-wide capital assets</b>	<b>\$ 31,861,344</b>	<b>\$ 1,685,369</b>	<b>\$ -</b>	<b>\$ 33,546,713</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**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.

**NOTE 7. NONCURRENT LIABILITIES**

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within one year
<b>Governmental activities:</b>					
Compensated absences	\$ 108,670	\$ -	\$ 17,830	\$ 90,840	\$ -
Capital lease obligations	516,228	- -	58,761	457,467	60,463
<b>Total governmental activities</b>	<b>\$ 624,898</b>	<b>\$ -</b>	<b>\$ 76,591</b>	<b>\$ 548,307</b>	<b>\$ 60,463</b>
<b>Business-type activities:</b>					
Compensated absences	\$ 36,245	\$ 5,042	\$ -	\$ 41,287	\$ 10,456
Capital lease obligations	67,542	- -	33,330	34,212	34,212
<b>Total business-type activities</b>	<b>\$ 103,787</b>	<b>\$ 5,042</b>	<b>\$ 33,330</b>	<b>\$ 75,499</b>	<b>\$ 44,668</b>
<b>Governmental activities:</b>					
Notes from direct borrowings	\$ -	\$ 1,527,961	\$ -	\$ 1,527,961	\$ -
<b>Total governmental activities</b>	<b>\$ -</b>	<b>\$ 1,527,961</b>	<b>\$ -</b>	<b>\$ 1,527,961</b>	<b>\$ -</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 7. NONCURRENT LIABILITIES (Continued)**

The City's outstanding debt from capital lease obligations related to governmental activities of \$457,467 are comprised of the following capital leases and contain the following provisions:

In 2016, the City entered into a lease agreement for financing of equipment valued at \$237,462. 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. Annual payments with interest payable at 2.65% maturing February 15, 2020. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment. The equipment is pledged as collateral for this lease. One-third of this lease was recorded in governmental activities. Two-thirds of this lease was recorded in business-type, split evenly between the Water and Sewer Funds.

In August 2017, the City entered into a lease agreement for financing of a new fire engine valued at \$478,457. 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. Annual payments with interest payable at 2.95% maturing August 15, 2027. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment. The equipment is pledged as collateral for this lease.

The City's outstanding debt from direct borrowings related to governmental activities of \$1,527,961 was from the California Energy Commission for assistance with purchasing and installing renewable energy equipment. This loan becomes payable in semi-annual payments of principal and interest beginning on or before December 22 of the fiscal year following the year in which the project is completed. The final completion date is expected to be in fiscal year 19-20. Interest is payable at 1% and is payable in thirty-six semi-annual payments. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment. There is no collateral or security pledged for this debt.

Pursuant to the early implementation of *Governmental Accounting Standards Board (GASB) Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"*, the amount of the City's unused line of credit is required to be disclosed. On October 12, 2017, the City, through Resolution 23-2017, extended a \$200,000 line of credit with Scott Valley Bank to be used for the rehabilitation of Vista Drive. This line of credit was taken out to cover the City's match for the costs of the project. The line of credit will bear interest of 2.25% on any outstanding principle balance. At June 30, 2019, the entire line of credit balance was unused.

Debt service requirements on long-term debt at June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Capital Lease Obligations</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 60,463	\$ 13,637	\$ 34,212	\$ 907
2021	44,655	11,886	-	-
2022	45,992	10,549	-	-
2023	47,369	9,172	-	-
2024	48,787	7,754	-	-
2025-2028	210,201	15,967	-	-
	<b>\$ 457,467</b>	<b>\$ 68,965</b>	<b>\$ 34,212</b>	<b>\$ 907</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 7. NONCURRENT LIABILITIES (Continued)**

<b>Year Ended June 30,</b>	<b>Governmental Activities</b>	
	<b>Notes from Direct Borrowings</b>	<b>Interest</b>
<b>Principal</b>	<b>Interest</b>	
2020	\$ -	\$ -
2021	67,171	26,599
2022	79,158	14,611
2023	79,963	13,807
2024	80,741	13,029
2025-2029	416,334	52,513
2030-2034	437,938	30,910
2035-2038	366,656	8,423
<b>\$ 1,527,961</b>	<b>\$ 159,892</b>	

**NOTE 8. PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description, Benefits Provided, and Employees Covered*

The “**Plan**” is a cost-sharing multiple-employer defined-benefit pension plan administered by CalPERS. The June 30, 2018, GASB 68 actuarial valuation report for the combined **Miscellaneous and Safety (police and fire) Risk Pools** lists a full description of the assumptions for funding purposes, but not accounting purposes, and membership information. The benefits provided from Appendix B of the June 30, 2018, actuarial valuation report for the CalPERS **Miscellaneous and Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

*Contribution Description*

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS’ annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan**’s actuarially determined rate is the estimated amount necessary to pay the **Plan**’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018 (the measurement date), the basis for the contribution rates is actual contributions made, and not the actuarially determined contribution. The employees and the employer had the following contribution rates, shown as a percentage of the annual payroll:

Miscellaneous		
<b>Contribution Type</b>	<b>Classic</b>	<b>PEPRA</b>
Employee (Charged)	7.000%	6.250%
Employee (Effective)	6.900%	6.250%
Employer	7.200%	6.533%
Safety		
Employee (Charged)	7.000%	9.500%
Employee (Effective)	6.915%	9.500%
Employer	12.242%	9.513%

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (Continued)**

The charged employee contribution rate is the percentage that **Plan** charges the employees, while the effective employee contribution rate is the amount that the **Plan** expects to collect.

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

*Actuarial Methods and Assumptions Used to Determine Plan Contributions*

CalPERS derived the actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016–2017 from the June 30, 2017, funding valuation report.

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

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

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

*Long-term Expected Rate of Return*

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (continued)**

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

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

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

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

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

*Discount Rate*

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

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

*Description of the Amortization Methodology*

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

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

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (continued)**

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

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the Plan. The EARSL for PERF C for the June 30, 2018, measurement date is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 516,147 (the sum of remaining service lifetimes of all active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

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

CalPERS' website provides CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

*Allocation of Net Pension Liability and Pension Expense to Individual Plans*

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

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

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (continued)**

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

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

	<b>Proportionate Share of Net Pension Liability</b>
Miscellaneous	\$ 1,308,702
Safety	1,283,215
<b>Total Net Pension Liability</b>	<b>\$ 2,591,917</b>

The City's net pension liability for each **Plan** is measured as the proportionate share of the net pension liability. The net pension liability of each **Plan** is measured as of June 30, 2018, and the total pension liability for each **Plan** used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension **Plan** relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of the June 30, 2018 measurement date was as follows:

	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
Proportion - June 30, 2017	0.03337%	0.02186%	<b>0.02643%</b>
Proportion - June 30, 2018	0.03473%	0.02187%	<b>0.02690%</b>
<b>Change - Increase/(Decrease)</b>	0.00136%	0.00001%	<b>0.00046%</b>

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

	<b>Miscellaneous</b>	<b>Safety</b>
	\$ 114,024	\$ 159,476

For the year ended June 30, 2019, the City recognized pension expense of \$173,524.

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (continued)**

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>For the Measurement Year Ended June 30, 2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 275,102	\$ 53,552
Differences between actual and expected experience	77,785	17,192
Difference between projected and actual earnings on pension plan investments	15,158	-
Differences between the employer's proportionate share of contributions	-	118,045
Change in employer's proportion	113,595	20,530
Pension contributions subsequent to measurement date	332,877	-
<b>Total</b>	<b>\$ 814,517</b>	<b>\$ 209,319</b>

The \$332,877 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended 30-Jun</b>	
2019	\$ 224,853
2020	130,040
2021	(61,913)
2022	(20,659)
2023	-
Thereafter	-

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

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

<b>Plan's Net Pension Liability</b>	<b>Discount Rate -1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate +1% 8.15%</b>
Miscellaneous	\$2,126,005	\$1,308,702	\$634,030
Safety	2,024,427	1,283,215	675,925
<b>Total</b>	<b>\$4,150,432</b>	<b>\$2,591,917</b>	<b>\$1,309,955</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**NOTE 8. PENSION PLAN (continued)**

*Pension Plan Fiduciary Net Position*

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

*Payable to the Pension Plan*

The City did not have any current amounts payable to the pension plan at June 30, 2019.

**NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

The City administers a single-employer defined-benefit post-employment healthcare plan. Benefits continue to the surviving spouses.

*Benefits Provided*

On retirement from CalPERS, employees that have reached age 50 with 5 years of City service can retire and elect any CalPERS medical plan. The City pays the PEMHCA Unequal Minimum amount towards the cost of coverage. In 2017, the City will pay \$70.40 per month for retired safety officers and \$40.25 per month for other retirees. These amounts will increase over time to the PEMHCA Minimum for employees. The PEMHCA minimum amount for employees is \$128 per month for 2017 and \$133 per month for 2018. PEMHCA amounts are adjusted on an annual basis.

*Employees covered by benefit terms*

At June 30, 2017 (the census date), the benefit terms covered the following employees:

<b>Category</b>	<b>Count</b>
Active employees:	26
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	3
Inactive employees entitled to but not yet receiving benefit payment:	0

*Contributions:*

Benefits are partially paid by retirees. The City contributes the PEMHCA amount as benefits come due.

*Net OPEB Liability*

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Due to the requirements of GASB 75, actuarial information may be used for a two-year period if the plan has not experienced any significant changes that could affect the projections for the second year. The City did not experience significant changes so the figures for the measurement date ended June 30, 2018 are estimated.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

Inflation: 2.625%

Salary increases: 2.875%.

Healthcare cost trend rates: 7.00% in the first year, trending down to 3.84% over 57 years.

Mortality rates are the same as CalPERS.

*Discount Rate*

The discount rate used to measure the total OPEB liability is 3.56%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the measurement date.

*Changes in the Net OPEB Liability*

	<u>Increases (Decreases)</u>
	<u>Net OPEB Liability</u>
Balance as of report date June 30, 2018	\$ 766,191
Changes for the year:	
Service cost	59,105
Interest	28,991
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(1,662)
Implicit rate subsidy fulfilled	(19,736)
Administrative expenses	-
Net changes	<u>66,698</u>
<b>Balance as of report date June 30, 2019</b>	<b>\$ 832,889</b>

Sensitivity of the net OPEB liability to changes in the discount rate. The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.56%	3.56%	4.56%
<b>Net OPEB obligation (asset)</b>	<b>\$ 939,391</b>	<b>\$ 832,889</b>	<b>\$ 742,437</b>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Decreasing to	2.84%	3.84%	Decreasing to 4.84%
<b>Net OPEB obligation (asset)</b>	<b>\$ 779,551</b>	<b>\$ 832,889</b>	<b>\$ 895,622</b>

**City of Weed, California**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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

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

For the year ended June 30, 2019, the City recognized an OPEB expense of \$67,005. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	- -	- -
City contributions subsequent to the measurement date	21,091	- -
<b>Total</b>	<b>\$ 21,091</b>	<b>\$ -</b>

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

<b>Report Year Ending June 30:</b>	<b>Amount</b>
2020	\$ -
2021	- -
2022	- -
2023	- -
2024	- -
Remaining	- -

**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.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Weed**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<b>REVENUES</b>				
Property taxes	\$ 1,417,808	\$ 1,417,808	\$ 631,099	\$ (786,709)
Sales and use taxes	264,734	264,734	1,489,568	1,224,834
Transient occupancy taxes	814,647	814,647	348,467	(466,180)
Franchise and other taxes	95,332	95,332	85,984	(9,348)
Licenses and permits	2,335	2,335	10,406	8,071
Fines, forfeitures and penalties	21,168	21,168	12,466	(8,702)
Intergovernmental revenues	272,598	272,598	151,825	(120,773)
Charges for services	184,954	184,954	151,771	(33,183)
Use of money and property	8,664	8,664	7,947	(717)
Other	32,360	32,360	90,547	58,187
Total revenues	<u>3,114,600</u>	<u>3,114,600</u>	<u>2,980,080</u>	<u>(134,520)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,519,794	1,519,794	1,314,295	205,499
Police protection	1,492,606	1,492,606	1,580,384	(87,778)
Fire protection	194,405	194,405	535,491	(341,086)
Streets and roads	197,839	197,839	211,865	(14,026)
Community and economic development	-	-	84,525	(84,525)
Bad debt expense	-	-	12,640	(12,640)
Capital outlay	2,801,030	2,801,030	1,715,771	1,085,259
Debt service:				
Principal	60,000	60,000	58,761	1,239
Interest	-	-	14,235	(14,235)
Total expenditures	<u>6,265,674</u>	<u>6,265,674</u>	<u>5,527,967</u>	<u>737,707</u>
Excess of revenues over expenditures	<u>(3,151,074)</u>	<u>(3,151,074)</u>	<u>(2,547,887)</u>	<u>603,187</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt financing	-	-	1,527,961	1,527,961
Operating transfers in (out)	-	-	(116,846)	(116,846)
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,411,115</u>	<u>1,411,115</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(3,151,074)</u>	<u>(3,151,074)</u>	<u>(1,136,772)</u>	<u>2,014,302</u>
<b>FUND BALANCES</b>				
Beginning of year	<u>1,360,714</u>	<u>1,360,714</u>	<u>1,360,714</u>	<u>-</u>
End of the year	<u>\$ (1,790,360)</u>	<u>\$ (1,790,360)</u>	<u>\$ 223,942</u>	<u>\$ 2,014,302</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, 2019**

The City of Weed did not adopt a budget for the Community/Economic Development Block Grant Fund for the year ended June 30, 2019.

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, 2019**

The City of Weed did not adopt a budget for the Boles Fire Fund for the year ended June 30, 2019.

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

**City of Weed**  
**Cost Sharing Multiple-Employer Defined Benefit Pension Plan**  
**As of June 30, 2019**  
**Last 10 Years**

**Schedule of the City's Proportionate Share of the Net Pension Liability  
Combined Plans**

Measurement Year Ending June 30: <sup>1</sup>	2014	2015	2016	2017	2018
City's proportion of the net pension liability (asset)	0.03064%	0.02368%	0.02617%	0.02643%	0.02690%
City's proportion share of the net pension liability (asset)	\$ 1,906,547	\$ 1,625,051	\$ 2,264,195	\$ 2,621,422	\$ 2,591,917
City's covered-employee payroll <sup>2</sup>	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742
City's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	151.86%	128.82%	160.61%	180.88%	162.22%
City's proportionate share of the fiduciary net pension liability as a percentage of the plan's total pension liability	18.83%	15.73%	21.32%	22.96%	22.70%
City's proportionate share fo aggregate employer contributions <sup>3,4</sup>	\$ 226,977	\$ 298,948	\$ 301,035	\$ 319,540	\$ 352,985

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

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

<sup>3</sup> The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions uses the plan's proportion of fiduciary net position multiplied by the total employer contribution amount as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

<sup>4</sup> GASB 68 does not require that we display this data for employers participating in cost sharing plans, but it we show it here because we use it in the calculation of the Plan's pension expense.

**City of Weed**  
**Cost Sharing Multiple-Employer Defined Benefit Pension Plan**  
**As of June 30, 2019**  
**Last 10 Years**

**Schedule of the City's Contributions**  
**Combined Plans**

Measurement Year Ending					
June 30: <sup>1</sup>	2014	2015	2016	2017	2018
Actuarially determined contribution <sup>2</sup>	\$ 155,089	\$ 152,981	\$ 203,195	\$ 233,055	\$ 254,037
Contributions in relation to the actuarially determined contributions <sup>3</sup>	<u>155,089</u>	<u>152,981</u>	<u>203,195</u>	<u>233,055</u>	<u>254,037</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll <sup>4</sup>	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742
Contributions as a percentage of covered-employee payroll <sup>5</sup>	12.35%	12.13%	14.41%	16.08%	15.90%

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

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

<sup>3</sup> Ibid.

<sup>4</sup> Covered Employee Payroll presented above uses pensionable earnings provided by the employer as its basis. However, GASB 68 defines covered employee payroll as the total payroll of employees with pensions from the pension plan. Accordingly, if pensionable earnings are different from total earnings for covered employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

<sup>5</sup> Ibid.

**City of Weed**  
**Single-Employer Defined Benefit Post-employment Healthcare Plan**  
**As of June 30, 2019**  
**Last 10 Years**<sup>1</sup>

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

	<b>Measurement Date:</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
	<b>Report Date:</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
<b>Total/Net OPEB Obligation (Liability)</b>			
Service cost <sup>2</sup>	\$ 57,453	\$ 59,105	
Interest <sup>2</sup>	26,690	28,991	
Changes in benefit terms	-	-	
Differences between expected and actual experience	-	-	
Changes of assumptions	-	-	
Benefit payments	(1,280)	(1,662)	
Implicit rate subsidy fulfilled <sup>2</sup>	<u>(19,184)</u>	<u>(19,736)</u>	
Net change in Total OPEB obligation	63,679	66,698	
Total/Net OPEB Obligation - Beginning of Year, as restated <sup>3</sup>	<u>702,512</u>	<u>766,191</u>	
<b>Total/Net OPEB Obligation - End of Year</b>	<b><u>\$ 766,191</u></b>	<b><u>\$ 832,889</u></b>	
Covered-Employee Payroll <sup>4</sup>	\$ 1,402,379		
City's Net OPEB Obligation as a Percentage of Covered-Employee Payroll <sup>4</sup>		54.64%	

**Notes to schedule:**

The City adopted GASB 75 for the fiscal Year Ending June 30, 2018.

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

<sup>2</sup> Due to the requirements of GASB 75, actuarial information may be used for a two-year period if the plan has not experienced any significant changes that could affect the projections for the second year. The City did not experience significant changes so the figures for the measurement date ended June 30, 2018 are estimated.

<sup>3</sup> This restatement happened only for the year-ended June 30, 2018.

<sup>4</sup> This information is unavailable for the measurement date ended June 30, 2018.

SUPPLEMENTARY INFORMATION

**City of Weed**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2019**

<b>Special Revenue Funds</b>									
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund		Total
<b>ASSETS</b>									
Cash and investments	\$ 3,346	\$ 62,084	\$ 20,819	\$ -	\$ 85,864	\$ 30,951	\$ -	\$ -	\$ 203,064
Receivables (net of allowance for doubtful accounts):									
Intergovernmental	-	5,101	4,160	6,102	-	-	13,926	29,289	
Total assets	<b>\$ 3,346</b>	<b>\$ 67,185</b>	<b>\$ 24,979</b>	<b>\$ 6,102</b>	<b>\$ 85,864</b>	<b>\$ 30,951</b>	<b>\$ 13,926</b>	<b>\$ 232,353</b>	
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ 9,091	\$ 9,116	
Accrued liabilities	-	-	-	-	475	-	-	-	475
Total liabilities	-	-	-	-	500	-	9,091	9,591	
Fund balances:									
Restricted for:									
Streets and roads	3,346	67,185	24,979	6,102	-	30,951	4,835	137,398	
Assigned for:									
Special projects	-	-	-	-	85,364	-	-	85,364	
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	<b>3,346</b>	<b>67,185</b>	<b>24,979</b>	<b>6,102</b>	<b>85,364</b>	<b>30,951</b>	<b>4,835</b>	<b>222,762</b>	
Total liabilities and fund balance	<b>\$ 3,346</b>	<b>\$ 67,185</b>	<b>\$ 24,979</b>	<b>\$ 6,102</b>	<b>\$ 85,864</b>	<b>\$ 30,951</b>	<b>\$ 13,926</b>	<b>\$ 232,353</b>	

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

**City of Weed**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended June 30, 2019**

Special Revenue Funds								
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund	Total
<b>REVENUES</b>								
Intergovernmental revenues	\$ 3,346	\$ 56,088	\$ 108,224	\$ 137,323	\$ -	\$ -	\$ 13,926	\$ 318,907
Transient occupancy taxes	-	-	-	-	86,982	-	-	86,982
Other	-	-	-	-	750	-	-	750
Total revenues	<u>3,346</u>	<u>56,088</u>	<u>108,224</u>	<u>137,323</u>	<u>87,732</u>	<u>-</u>	<u>13,926</u>	<u>406,639</u>
<b>EXPENDITURES</b>								
Current:								
Streets and roads	-	-	-	-	-	15,677	-	15,677
Community and economic development	-	-	-	-	92,334	-	-	92,334
Public transportation	-	-	69,762	-	-	-	-	69,762
Capital outlay	-	-	-	-	288,727	-	3,926	292,653
Total expenditures	<u>-</u>	<u>-</u>	<u>69,762</u>	<u>-</u>	<u>381,061</u>	<u>15,677</u>	<u>3,926</u>	<u>470,426</u>
Excess of revenues over (under) expenditures	<u>3,346</u>	<u>56,088</u>	<u>38,462</u>	<u>137,323</u>	<u>(293,329)</u>	<u>(15,677)</u>	<u>10,000</u>	<u>(63,787)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in (out)	-	-	(34,302)	(131,221)	282,369	-	-	116,846
Total other financing sources	<u>-</u>	<u>-</u>	<u>(34,302)</u>	<u>(131,221)</u>	<u>282,369</u>	<u>-</u>	<u>-</u>	<u>116,846</u>
Excess of revenues and other financing uses over (under) expenditures	<u>3,346</u>	<u>56,088</u>	<u>4,160</u>	<u>6,102</u>	<u>(10,960)</u>	<u>(15,677)</u>	<u>10,000</u>	<u>53,059</u>
<b>FUND BALANCE</b>								
Beginning of year	<u>-</u>	<u>11,097</u>	<u>20,819</u>	<u>-</u>	<u>96,324</u>	<u>46,628</u>	<u>(5,165)</u>	<u>169,703</u>
End of the year	<u>\$ 3,346</u>	<u>\$ 67,185</u>	<u>\$ 24,979</u>	<u>\$ 6,102</u>	<u>\$ 85,364</u>	<u>\$ 30,951</u>	<u>\$ 4,835</u>	<u>\$ 222,762</u>

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

## OTHER SCHEDULES AND REPORTS

**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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Weed as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Weed, California's basic financial statements, and have issued my report thereon dated March 12, 2020.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs, that I consider to be material weaknesses (**Finding 2019-001 and 2019-003**) and a significant deficiency (**Finding 2019-002**).

**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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (**Finding 2019-003**).

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

City of Weed, California's response to the finding identified in my 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, I express no opinion on it.

#### **Purpose of this Report**

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

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

Charles W. Pillon, CPA  
Anderson, California

March 12, 2020

**City of Weed, California**  
**Schedule of Findings, Responses and Corrective Action Plans**  
**For the Year Ended June 30, 2019**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of City of Weed, were prepared in accordance with GAAP.
2. One material weakness and one significant deficiency 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.

**Findings - Financial Statement Audit**

**2019 – 001**

**Material Audit Adjustments**

Condition: During my audit of the current year, I 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. This is a repeat finding from the prior year due to the timing of the completion of the fiscal year ending June 30, 2018 audit.

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

Recommendation: I recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in accordance with generally accepted accounting principles be identified and posted prior to the start of the audit. The City's Finance Director would benefit from increased knowledge and expertise in the area of "financial statement close and reporting", especially related to governmental fund accounting. The City should ensure that the Finance Director receives additional training and ample time and resources to adequately perform the financial close and reporting process to ensure the City's financial statements are not materially misstated.

*Views of Responsible Officials and Planned Corrective Action:* City of Weed, California agrees with the finding and recommended procedures will be implemented during FY19-20 and 20-21.

**2019 - 002**

**Significant Violation of Budgeted Appropriations Governmental Funds**

Condition: For the year ended June 30, 2019, expenditures exceeded appropriations for several governmental funds, the City did not prepare an annual budget or amendments for all funds of the City, and the City is not approving a budget at a sufficient expenditure level of detail (i.e. by expenditure line item) to make the budget fiscally useful and meaningful.

**City of Weed, California**  
**Schedule of Findings, Responses and Corrective Action Plans**  
**For the Year Ended June 30, 2019**

**2018-002 (continued)**

Criteria: The City's Governmental Funds are not allowed to expend funds in excess of that which has been legally appropriated through the actions of the City Council, as well as what is available in fund balance reserves, as approved by the City Council. In addition, State laws and regulations require annual budgets to be prepared for all individual major governmental funds of the City and for those charged with governance to manage the fiscal affairs of the City pursuant to the budget.

Cause: The budget violations were primarily due to over expenditures on costs that were either not budgeted for or the City did not prepare budget amendments as legally required. In some cases, the City did not prepare budgets. In addition, the City's budget is approved at a total revenue and expenditures level which can not provide enough detail to effectively manage the various departments and funds. Lastly, the City doesn't have a policy for amending the budget throughout the fiscal year. This is a repeat finding from the prior year due to the timing of the completion of the fiscal year ending June 30, 2018 audit.

Effect: Actual expenditures that exceed the legally appropriated budget, as amended, is in violation of State and local laws and regulations. Lack of appropriate detail and timely budget vs. actual results makes management at the department and fund levels very difficult.

Recommendation: The City should ensure that all expenditures made in any governmental fund are not exceeding budgeted amounts, and if they will exceed the budget, get approval from the City Council to adjust the budget before incurring the expenditure. Also, I recommend that the City prepare appropriately detailed annual budgets for all of its governmental funds and review budget vs. actual results at least on a quarterly basis.

*Views of Responsible Officials and Planned Corrective Action:* The City of Weed, California agrees with the finding. The budget for FY 2017-2019 anticipated the City continuing to contract for Fire Services from Cal-Fire. Following the adoption of the budget the City elected to terminate that contract and hire a full-time Fire Chief and Deputy Fire Chief thus modifying expenditures from operations and maintenance to personnel and increasing costs significantly. As an offset the City obtained a grant to pay for the additional expenditures. However, the City did not have a policy in place to amend the budget to recognize such material changes in expenses or to recognize and appropriate funds received in a fiscal year that were not anticipated in the budget. The City took appropriate action to correct this deficiency by adopting Financial Policy 105 in July 2018 requiring budget amendments periodically, but not more often than once a quarter. However, due to the timing of the prior year audit, this recommendation did not get fully implemented until after June 30, 2019.

**2019 - 003**

**Grant Management**

Condition: The City's financial system is not reconciling to the grant reporting found in the grant files and the files are not organized very well.

Criteria: As a requirement for all grants received by the City, the City's accounting system should reconcile directly, and easily, to the grant reports submitted to the grantors.

Cause: The City's accounting system was not being correctly managed resulting in material differences between the grant reports and the accounting records. In addition, the grant management of the financial aspects of the grant were not being effectively managed by the finance department, leaving this important step to the outside contracting engineer, PACE Engineers, and the Public Works Director.

Effect: Grant reporting was materially misstated resulting in unfunded project costs, which in turn required material audit adjustments. This is a material deficiency in internal control over financial reporting and a significant instance of noncompliance with the grants.

**City of Weed, California**  
**Schedule of Findings, Responses and Corrective Action Plans**  
**For the Year Ended June 30, 2019**

**2019 – 003 (Continued)**

Recommendation: I recommend the City ensure the financial system reconciles to the grant reporting without exception. This can best be done by putting this function under the Finance director and not the director of Public Works or the City Engineer. This can then create a team effect of corroboration to ensure the grant files are correct and up to date.

*Views of Responsible Officials and Planned Corrective Action:* Effective in FY19-20, the function of Grant Reporting reconciliation to the financial system has been re-assigned to the Finance Director who will work in conjunction with the Public Works Director and City Engineer to ensure proper and timely recording.

Summary of Prior Audit Findings

2018-001 Audit Adjustments

Condition: During my audit of the prior year, I 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.

Recommendation: It was recommended 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: As stated in **Finding 2019-001**, this recommendation has still not been implemented.

2018-002 Budgeted Appropriations

Condition: During the prior year, expenditures exceeded appropriations for several governmental funds, the City did not prepare an annual budget or amendments for all funds of the City, and the City is not approving a budget at a sufficient expenditure level of detail (i.e. by expenditure line item) to make the budget fiscally useful and meaningful.

Recommendation: It was recommended the City should ensure that all expenditures made in any governmental fund are not exceeding budgeted amounts, and if they will exceed the budget, get approval from the City Council to adjust the budget before incurring the expenditure. Also, I recommended that the City prepare appropriately detailed annual budgets for all of its governmental funds and review budget vs. actual results at least on a quarterly basis.

Current Status: As stated in **Finding 2019-002**, this recommendation has still not been implemented.