

CITY OF WEED, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

City of Weed, California
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June 30, 2020

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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 the City of Weed, California (City) as of and for the year ended June 30, 2020, 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 the City of Weed, California as of June 30, 2020, 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 to 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 May 13, 2021, 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 the City of Weed, California's internal control over financial reporting and compliance.

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

Charles W. Pilon, CPA
Anderson, California

May 13, 2021

BASIC FINANCIAL STATEMENTS

CITY OF WEED
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 1,096,424	\$ 633,276	\$ 1,729,700
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	188,638	188,638
Loans	1,554,596	-	1,554,596
Intergovernmental	634,062	435,990	1,070,052
Prepaid expenses	46,120	-	46,120
Interfund balances	950,872	(950,872)	-
Total current assets	<u>4,282,074</u>	<u>307,032</u>	<u>4,589,106</u>
Capital assets:			
Non-depreciable	6,732,744	10,553,923	17,286,667
Depreciable, net	9,682,220	10,338,840	20,021,060
Total capital assets	<u>16,414,964</u>	<u>20,892,763</u>	<u>37,307,727</u>
Total assets	<u>20,697,038</u>	<u>21,199,795</u>	<u>41,896,833</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows from pensions	674,903	93,733	768,636
Deferred outflows from OPEB	63,500	10,273	73,773
Total deferred outflows of resources	<u>738,403</u>	<u>104,006</u>	<u>842,409</u>
<u>LIABILITIES</u>			
Accounts payable	213,141	69,260	282,401
Bank overdraft payable	1,590,643	-	1,590,643
Accrued liabilities	79,229	7,045	86,274
Deposits	-	73,898	73,898
Unearned revenues	232,079	-	232,079
Total current liabilities	<u>2,115,092</u>	<u>150,203</u>	<u>2,265,295</u>
Noncurrent liabilities:			
Net pension liability	2,482,956	344,843	2,827,799
Total OPEB liability	565,840	91,541	657,381
Due within one year	103,943	17,278	121,221
Due in more than one year	1,912,217	33,492	1,945,709
Total noncurrent liabilities	<u>5,064,956</u>	<u>487,154</u>	<u>5,552,110</u>
Total liabilities	<u>7,180,048</u>	<u>637,357</u>	<u>7,817,405</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows from pensions	187,341	26,019	213,360
Deferred inflows from OPEB	235,959	38,173	274,132
Total deferred inflows of resources	<u>423,300</u>	<u>64,192</u>	<u>487,492</u>
<u>NET POSITION</u>			
Net investment in capital assets	14,505,460	20,892,763	35,398,223
Restricted	618,517	-	618,517
Unrestricted	(1,291,884)	(290,511)	(1,582,395)
Total net position	<u>\$ 13,832,093</u>	<u>\$ 20,602,252</u>	<u>\$ 34,434,345</u>

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

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

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 978,953	\$ 76,513	\$ 50,000	\$ 190,832	\$ (661,608)	\$ -	\$ (661,608)
Public safety	2,420,257	393,053	225,429	-	(1,801,775)	-	(1,801,775)
Public works	763,942	-	291,318	-	(472,624)	-	(472,624)
Community and economic development	331,293	-	-	-	(331,293)	-	(331,293)
Interest expense	12,500	-	-	-	(12,500)	-	(12,500)
Total governmental activities	<u>4,506,945</u>	<u>469,566</u>	<u>566,747</u>	<u>190,832</u>	<u>(3,279,800)</u>	<u>-</u>	<u>(3,279,800)</u>
Business-type activities:							
Water	824,935	809,277	-	26,045	-	10,387	10,387
Sewer	697,093	601,043	-	4,703,003	-	4,606,953	4,606,953
Solid waste	618,321	613,940	5,000	-	-	619	619
Total business-type activities	<u>2,140,349</u>	<u>2,024,260</u>	<u>5,000</u>	<u>4,729,048</u>	<u>-</u>	<u>4,617,959</u>	<u>4,617,959</u>
Total primary government	<u>\$ 6,647,294</u>	<u>\$ 2,493,826</u>	<u>\$ 571,747</u>	<u>\$ 4,919,880</u>	<u>(3,279,800)</u>	<u>4,617,959</u>	<u>1,338,159</u>
General revenues:							
Taxes:							
Property taxes					680,245	-	680,245
Sales and use taxes					1,428,074	-	1,428,074
Transient occupancy taxes					404,290	-	404,290
Other taxes					116,087	-	116,087
Investment earnings					23,511	-	23,511
Loss on sale of capital assets					(5,907)	-	(5,907)
Other					121,731	59,701	181,432
Total general revenues					<u>2,768,031</u>	<u>59,701</u>	<u>2,827,732</u>
Change in net position					<u>(511,769)</u>	<u>4,677,660</u>	<u>4,165,891</u>
Net position, beginning of year, as previously reported					14,326,089	15,922,069	30,248,158
Prior period adjustment					17,773	2,523	20,296
Net position, beginning of year, as restated					<u>14,343,862</u>	<u>15,924,592</u>	<u>30,268,454</u>
Net position, end of the year					<u>\$ 13,832,093</u>	<u>\$ 20,602,252</u>	<u>\$ 34,434,345</u>

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

CITY OF WEED
Balance Sheet
Governmental Funds
June 30, 2020

	Special Revenue Funds				
	General Fund	Community and Economic Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 132,493	\$ 69,280	\$ 464,914	\$ 429,737	\$ 1,096,424
Receivables (net of allowance for doubtful accounts):					
Loans	339,259	1,215,337	-	-	1,554,596
Intergovernmental	590,380	-	28,339	15,343	634,062
Prepaid expenses	46,120	-	-	-	46,120
Due from other funds	950,872	-	-	-	950,872
Total assets	\$ 2,059,124	\$ 1,284,617	\$ 493,253	\$ 445,080	\$ 4,282,074
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	201,557	602	357	10,625	\$ 213,141
Bank overdraft payable	1,590,643	-	-	-	1,590,643
Accrued liabilities	79,229	-	-	-	79,229
Unearned revenue	-	-	232,079	-	232,079
Total liabilities	1,871,429	602	232,436	10,625	2,115,092
Fund balances:					
Nonspendable:					
Noncurrent receivables	339,259	1,215,337	-	-	1,554,596
Prepaid expenses	46,120	-	-	-	46,120
Total nonspendable	385,379	1,215,337	-	-	1,600,716
Restricted for:					
Streets and roads	-	-	-	350,124	350,124
Public safety	3,066	-	-	-	3,066
Parks maintenance	4,510	-	-	-	4,510
Boles fire	-	-	260,817	-	260,817
Total restricted	7,576	-	260,817	350,124	618,517
Assigned for:					
Special projects	-	-	-	84,331	84,331
Unassigned (deficit)	(205,260)	68,678	-	-	(136,582)
Total fund balance	187,695	1,284,015	260,817	434,455	2,166,982
Total liabilities and fund balance	\$ 2,059,124	\$ 1,284,617	\$ 493,253	\$ 445,080	\$ 4,282,074

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, 2020

Total fund balances included in the Balance Sheet - Governmental Funds		\$ 2,166,982
Assets recorded within the Statement of Net Position not reported in the funds:		
Nondepreciable capital assets		6,732,744
Depreciable capital assets	17,721,826	
Accumulated depreciation	<u>(8,039,606)</u>	9,682,220
Deferred inflows (outflows) recorded within the statement of net position not reported in the funds:		
Deferred inflows of resources relating to pensions		(187,341)
Deferred inflows of resources relating to OPEB		(235,959)
Deferred outflows of resources relating to pensions		674,903
Deferred outflows of resources relating to OPEB		63,500
Liabilities recorded within the Statement of Net Position not reported in the funds:		
Compensated absences		(106,656)
Net pension liability		(2,482,956)
Total OPEB obligation		(565,840)
Long-term debt		<u>(1,909,504)</u>
Total net position of governmental activities		<u><u>\$ 13,832,093</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, 2020

		Special Revenue Funds			
	General Fund	Community and Economic Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 680,245	\$ -	\$ -	\$ -	\$ 680,245
Sales and use taxes	1,428,074	-	-	-	1,428,074
Transient occupancy taxes	327,654	-	-	76,636	404,290
Franchise and other taxes	116,087	-	-	-	116,087
Licenses and permits	10,099	-	-	-	10,099
Fines, forfeitures and penalties	23,506	-	-	-	23,506
Intergovernmental revenues	457,357	-	8,904	291,318	757,579
Charges for services	207,678	-	228,283	-	435,961
Use of money and property	7,124	16,387	-	-	23,511
Other	121,551	180	-	-	121,731
Total revenues	3,379,375	16,567	237,187	367,954	4,001,083
EXPENDITURES					
Current:					
City council	24,479	-	-	-	24,479
Finance and administration	519,293	-	-	-	519,293
City attorney	38,720	-	-	-	38,720
Planning	107,355	-	-	-	107,355
Police protection	1,574,248	-	-	-	1,574,248
Animal regulation & code enforcement	1,265	-	-	-	1,265
Fire protection	503,236	-	2,946	-	506,182
Public works - streets & roads	484,940	-	-	-	484,940
Public works - buildings & grounds	52,308	-	-	-	52,308
Community and economic development	87,740	33,337	-	79,343	200,420
Public transportation	-	-	-	70,352	70,352
Library	47,817	-	-	-	47,817
Bad debt expense (recovery)	(5,673)	(2,531)	-	-	(8,204)
Capital outlay	197,957	-	-	-	197,957
Debt service:					
Principal	60,463	-	-	-	60,463
Interest	12,500	-	-	-	12,500
Total expenditures	3,706,648	30,806	2,946	149,695	3,890,095
Excess of revenues over (under) expenditures	(327,273)	(14,239)	234,241	218,259	110,988
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	282,820	-	-	-	282,820
Operating transfers in (out)	(5,110)	-	-	5,110	-
Total other financing sources	277,710	-	-	5,110	282,820
Excess of revenues and other financing uses over (under) expenditures	(49,563)	(14,239)	234,241	223,369	393,808
FUND BALANCE					
Beginning of year, as previously reported	223,943	1,298,254	25,902	222,763	1,770,862
Prior period adjustment	13,315	-	674	(11,677)	2,312
Beginning of year, as restated	237,258	1,298,254	26,576	211,086	1,773,174
End of year	\$ 187,695	\$ 1,284,015	\$ 260,817	\$ 434,455	\$ 2,166,982

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, 2020

Total net change in fund balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		\$ 393,808
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	197,957	
Depreciation expense	<u>(519,591)</u>	(321,634)
Governmental funds report the proceeds from the sale of capital assets as revenues, however, in the Statement of Activities the revenue is offset by the cost of the asset to report either a gain or loss on the sale of the asset.		
		(288,727)
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		60,463
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.		
		(233,280)
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.		
		(106,586)
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>(15,813)</u>
Change in net position of governmental activities		<u>\$ (511,769)</u>

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

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

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 141,747	\$ 329,067	\$ 162,462	\$ 633,276
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	88,055	45,175	55,408	188,638
Intergovernmental	10,626	425,364	-	435,990
Total current assets	240,428	799,606	217,870	1,257,904
Capital assets:				
Non-depreciable	987,474	9,566,449	-	10,553,923
Depreciable, net	7,350,074	2,988,766	-	10,338,840
Total capital assets, net	8,337,548	12,555,215	-	20,892,763
Total assets	8,577,976	13,354,821	217,870	22,150,667
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	40,105	53,628	-	93,733
Deferred outflows from OPEB	4,598	5,675	-	10,273
Total deferred outflows of resources	44,703	59,303	-	104,006
LIABILITIES				
Current liabilities:				
Accounts payable	6,043	38,794	24,423	69,260
Accrued liabilities	3,830	3,215	-	7,045
Deposits	73,898	-	-	73,898
Due to other funds	922,790	28,082	-	950,872
Total current liabilities	1,006,561	70,091	24,423	1,101,075
Noncurrent liabilities:				
Net pension liability	147,544	197,299	-	344,843
Total OPEB liability	40,970	50,571	-	91,541
Due within one year	5,627	6,024	5,627	17,278
Due in more than one year	9,278	14,936	9,278	33,492
Total noncurrent liabilities	203,419	268,830	14,905	487,154
Total liabilities	1,209,980	338,921	39,328	1,588,229
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	11,132	14,887	-	26,019
Deferred inflows from OPEB	17,085	21,088	-	38,173
Total deferred inflows of resources	28,217	35,975	-	64,192
NET POSITION				
Net investment in capital assets	8,337,548	12,555,215	-	20,892,763
Unrestricted	(953,066)	484,013	178,542	(290,511)
Total net position	\$ 7,384,482	\$ 13,039,228	\$ 178,542	\$ 20,602,252

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, 2020

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<u>REVENUES</u>				
User fees and charges	\$ 809,277	\$ 601,043	\$ 613,940	\$ 2,024,260
<u>OPERATING EXPENSES</u>				
Cost of power	44,834	58,212	-	103,046
Maintenance, operations, and administration	540,545	493,642	614,358	1,648,545
Depreciation	229,489	141,554	-	371,043
Bad debt expense	9,614	3,232	3,963	16,809
Total operating expenses	824,482	696,640	618,321	2,139,443
Operating income (loss)	(15,205)	(95,597)	(4,381)	(115,183)
<u>OTHER REVENUES (EXPENSES)</u>				
Intergovernmental revenues	26,045	4,703,003	5,000	4,734,048
Other	49,929	9,772	-	59,701
Interest expense	(453)	(453)	-	(906)
Total other revenues (expenses)	75,521	4,712,322	5,000	4,792,843
Change in net position	60,316	4,616,725	619	4,677,660
<u>NET POSITION</u>				
Beginning of year, as previously reported	7,322,906	8,421,240	177,923	15,922,069
Prior period adjustment	1,260	1,263	-	2,523
Beginning of year, as restated	7,324,166	8,422,503	177,923	15,924,592
End of year	\$ 7,384,482	\$13,039,228	\$ 178,542	\$ 20,602,252

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, 2020

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 803,125	\$ 616,333	\$ 614,450	\$ 2,033,908
Payments to suppliers	(607,656)	(303,664)	(614,973)	(1,526,293)
Payments to or on behalf of employees	(185,123)	(226,407)	-	(411,530)
Net cash provided (used) by operating activities	10,346	86,262	(523)	96,085
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Intergovernmental revenues	-	-	5,000	5,000
Receipts from other revenues	49,929	9,771	-	59,700
Net cash provided by non-capital financing activities	49,929	9,771	5,000	64,700
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Intergovernmental revenues	138,446	4,402,575	-	4,541,021
Purchase of capital assets	(39,415)	(4,703,003)	-	(4,742,418)
Principal payments on capital debt	(17,106)	(17,106)	-	(34,212)
Interest payments on capital debt	(453)	(453)	-	(906)
Net cash provided (used) by capital and related financing activities	81,472	(317,987)	-	(236,515)
Net increase (decrease) in cash	141,747	(221,954)	4,477	(75,730)
Cash and investments, beginning of year	-	551,021	157,985	709,006
Cash and investments, end of year	\$ 141,747	\$ 329,067	\$ 162,462	\$ 633,276
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	(15,205)	(95,597)	(4,381)	(115,183)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	229,489	141,554	-	371,043
(Increase) decrease in:				
Accounts receivable	(2,791)	15,290	510	13,009
Deferred outflows from pensions	12,766	(14,415)	-	(1,649)
Deferred outflows from OPEB	(2,605)	(2,989)	-	(5,594)
Increase (decrease) in:				
Accounts payable	(166,313)	(7,076)	1,036	(172,353)
Accrued liabilities	(130)	1,697	-	1,567
Deposits	(3,361)	-	-	(3,361)
Compensated absences	2,312	4,859	2,312	9,483
Net pension liability	(20,699)	72,517	-	51,818
Total OPEB liability	(37,747)	(55,476)	-	(93,223)
Deferred inflows from pensions	(2,455)	4,810	-	2,355
Deferred inflows from OPEB	17,085	21,088	-	38,173
Net cash provided (used) by operating activities	\$ 10,346	\$ 86,262	\$ (523)	\$ 96,085

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, such as loans receivables and prepaid expenses, 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, 2020

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, 2020.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City 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 balance 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.

F. Estimates

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets

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

NOTE 2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

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

NOTE 3. CASH AND INVESTMENTS

The City follows the practice of pooling cash of all funds, unless the funds are required by law, debt covenant or other instrument to be held in a separate account. Interest income on pooled cash invested is allocated monthly to the various funds based on the same proportion that such funds bear to the total monies invested. Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 1,096,424
Business-type activities	633,276
	\$ 1,729,700
Consisting of:	
Deposits with financial institutions	\$ 1,725,380
Local Agency Investment Fund (LAIF)	3,904
Cash on hand	416
	\$ 1,729,700

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, 2020

NOTE 3. 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>\$ 3,904</u>	<u>\$ 3,904</u>	191-day average

Disclosure Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF 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 \$678,464, 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 bank overdraft 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, 2020

NOTE 3. 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 4. LOANS RECEIVABLE

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

Community development loan programs	\$ 1,342,092
Economic development loan programs	331,504
	1,673,596
Less: allowance for doubtful accounts	(119,000)
Loans receivable, net	\$ 1,554,596

NOTE 5. INTERFUND BALANCES AND TRANSFERS

The following is a summary of the interfund receivables and payables at June 30, 2020:

	Due from Other Funds	Due to Other Funds	Net Due to/from Other Funds
Governmental Activities			
General Fund	\$ 950,872	\$ -	\$ 950,872
Total Governmental Activities	950,872	-	950,872
Business-Type Activities			
Water Fund	-	922,790	(922,790)
Sewer Fund	-	28,082	(28,082)
Total Business Type Activities	-	950,872	(950,872)
Total Government Wide Statement	\$ 950,872	\$ 950,872	\$ -

The above amounts are to cover negative cash balances in the respective funds' pooled cash accounts and will be repaid by transferring monies from other cash accounts or from future revenues. The amount due to the General Fund will not be repaid during the next fiscal year since the City has not yet developed plans to repay the amount due.

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

	Transfers In	Transfers Out	Transfers
Governmental Activities			
General Fund	\$ -	\$ 5,110	\$ (5,110)
Non-major Governmental Funds	5,110	-	5,110
Total Governmental Activities	5,110	5,110	-
Total Government Wide Statement	\$ 5,110	\$ 5,110	\$ -

The transfer was to close a dormant fund into the General Fund.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 6,787,554	\$ -	\$ (288,727)	\$ 6,498,827
Intangible assets	32,034	-	-	32,034
Construction in progress	3,926	197,957	-	201,883
Total nondepreciable capital assets	6,823,514	197,957	(288,727)	6,732,744
Depreciable capital assets				
Infrastructure	10,184,372	-	-	10,184,372
Buildings	2,448,357	-	-	2,448,357
Machinery and equipment	5,089,097	-	-	5,089,097
Total depreciable capital assets	17,721,826	-	-	17,721,826
Less accumulated depreciation for:				
Infrastructure	3,386,404	203,105	-	3,589,509
Buildings	1,397,906	47,019	-	1,444,925
Machinery and equipment	2,735,705	269,467	-	3,005,172
Total accumulated depreciation	7,520,015	519,591	-	8,039,606
Depreciable capital assets, net	10,201,811	(519,591)	-	9,682,220
Subtotal, governmental capital assets, net	17,025,325	(321,634)	(288,727)	16,414,964
Business-type activities:				
Nondepreciable capital assets				
Land	4,191,789	-	-	4,191,789
Construction in progress	1,619,716	4,742,418	-	6,362,134
Total nondepreciable capital assets	5,811,505	4,742,418	-	10,553,923
Depreciable capital assets				
Infrastructure	15,928,080	-	-	15,928,080
Buildings	301,374	-	-	301,374
Machinery and equipment	479,995	-	-	479,995
Total depreciable capital assets	16,709,449	-	-	16,709,449
Less accumulated depreciation for:				
Infrastructure	5,375,145	320,050	-	5,695,195
Buildings	276,294	2,750	-	279,044
Machinery and equipment	348,127	48,243	-	396,370
Total accumulated depreciation	5,999,566	371,043	-	6,370,609
Depreciable capital assets, net	10,709,883	(371,043)	-	10,338,840
Subtotal, business-type capital assets, net	16,521,388	4,371,375	-	20,892,763
Total, government-wide capital assets	\$33,546,713	\$ 4,049,741	\$ (288,727)	\$37,307,727

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 6. CAPITAL ASSETS (continued)

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

Governmental activities	
General government	\$ 144,025
Public safety	133,637
Streets and roads	226,694
Community and economic development	15,235
Total depreciation expense - governmental activities	\$ 519,591
Business-type activities:	
Water fund	\$ 229,489
Sewer fund	141,554
Total depreciation expense - business-type activities	\$ 371,043

NOTE 7. RISK MANAGEMENT

The City participates in the following public entity risk pools:

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

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

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

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

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

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

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 8. NONCURRENT LIABILITIES

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

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Governmental activities:					
Compensated absences	\$ 90,840	\$ 15,816	\$ -	\$ 106,656	\$ -
Capital lease obligations	457,467	-	60,463	397,004	44,655
Total governmental activities	\$ 548,307	\$ 15,816	\$ 60,463	\$ 503,660	\$ 44,655
Business-type activities:					
Compensated absences	\$ 41,287	\$ 9,483	\$ -	\$ 50,770	\$ 17,278
Capital lease obligations	34,212	-	34,212	-	-
Total business-type activities	\$ 75,499	\$ 9,483	\$ 34,212	\$ 50,770	\$ 17,278
Governmental activities:					
Notes from direct borrowings	\$ 1,527,961	\$ -	\$ 15,461	\$ 1,512,500	\$ 59,288
Total governmental activities	\$ 1,527,961	\$ -	\$ 15,461	\$ 1,512,500	\$ 59,288

The City's outstanding debt from capital lease obligations relating to governmental activities of \$397,004 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. This lease was paid off during the fiscal year.

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 relating to governmental activities of \$1,512,500 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 occurred in fiscal year 19-20, therefore the first payment is due December 22, 2020. 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. The reduction in the debt during the fiscal year was a result of a prior period adjustment necessary to reconcile to the exact amount of lender financing, see Footnote No. 15 for prior period adjustments.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 8. NONCURRENT LIABILITIES (continued)

Pursuant to *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, 2020, the entire line of credit balance was unused.

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

Governmental Activities		
Capital Lease Obligations		
Year Ended June 30,	Principal	Interest
2021	\$ 44,655	\$ 11,886
2022	45,992	10,549
2023	47,369	9,172
2024	48,787	7,754
2025	50,248	6,293
2026-2028	159,953	9,673
	<u>\$ 397,004</u>	<u>\$ 55,327</u>

Governmental Activities		
Notes from Direct Borrowings		
Year Ended June 30,	Principal	Interest
2021	\$ 59,288	\$ 33,939
2022	78,748	14,536
2023	79,548	13,735
2024	80,322	12,961
2025	81,173	12,110
2026-2030	418,385	48,031
2031-2035	440,094	26,322
2036-2038	274,942	4,907
	<u>\$ 1,512,500</u>	<u>\$ 166,541</u>

NOTE 9. PENSION PLAN

General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9. PENSION PLAN (continued)

Contribution Description

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

Miscellaneous		
Contribution Type	Classic	PEPRA
Employee (Charged)	7.000%	6.250%
Employee (Effective)	6.912%	6.250%
Employer	7.634%	6.842%
Safety		
Employee (Charged)	6.921%	9.500%
Employee (Effective)	7.000%	9.500%
Employer	12.848%	10.020%

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

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

Actuarial Methods and Assumptions Used to Determine Plan Contributions

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

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

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

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9. PENSION PLAN (continued)

Long-term Expected Rate of Return

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

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

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

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9. PENSION PLAN (continued)

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

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

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

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

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

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

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

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

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9. PENSION PLAN (continued)

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

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,463,761
Safety	1,364,038
Total Net Pension Liability	\$ 2,827,799

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

	Miscellaneous	Safety	Total
Proportion - June 30, 2018	0.03473%	0.02187%	0.02690%
Proportion - June 30, 2019	0.03655%	0.02185%	0.02760%
Change - Increase/(Decrease)	0.00183%	-0.00002%	0.00070%

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, 2020, the contributions recognized as part of pension expense for each **Plan** were as follows:

Miscellaneous	Safety
\$ 139,116	\$ 193,761

For the year ended June 30, 2020, the City recognized pension expense of \$627,701.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 9. PENSION PLAN (continued)

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

For the Measurement Year Ended June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 125,708	\$ 35,654
Differences between actual and expected experience	190,724	7,877
Difference between projected and actual earnings on pension plan investments	-	44,356
Differences between the employer's proportionate share of contributions	4,212	115,502
Change in employer's proportion	106,095	9,971
Pension contributions subsequent to measurement date	341,897	-
Total	<u>\$ 768,636</u>	<u>\$ 213,360</u>

The \$341,897 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun	
2020	\$ 188,934
2021	(8,901)
2022	24,523
2023	8,822
2024	-
Thereafter	-

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

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

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability			
Miscellaneous	\$2,374,971	\$1,463,761	\$711,621
Safety	2,138,598	1,364,038	729,021
Total	\$4,513,569	\$2,827,799	\$1,440,642

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, 2020.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City administers a single-employer defined-benefit post-employment healthcare plan. Dependents are eligible to enroll, and 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 2019, the City will pay \$97.30 per month for retired safety officers and \$48.65 per month for other retirees. These amounts will increase over time to the PEMHCA Minimum for employees. The PEMHCA minimum amount for employees is \$136 per month for 2019 and \$139 per month for 2020. PEMHCA amounts are adjusted on an annual basis.

Employees covered by benefit terms

At June 30, 2019 (the census date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Active employees:	27
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	3
Inactive employees entitled to but not yet receiving benefit payment:	0

Contributions:

The City pays benefits as they come due.

Contribution Rate:	Benefits due
Reporting period contributions:	\$25,620 (Includes implicit subsidy credit)

Financial Report

The City issues a stand-alone financial report that is available to the public. The report is available at: <https://www.ci.weed.ca.us/finance>

Total OPEB Liability

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

Actuarial Assumptions

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

<u>Measurement Date: June 30, 2018</u>		<u>June 30, 2019</u>	
Discount Rate	3.62%	3.13%	
Inflation	2.50%	2.50%	
Healthcare Cost Trend Rates	6.50%	7.00%	Trending down to 3.84% over 56 years. Applies to calendar years.
Salary Increases	2.75%	2.75%	Additional merit-based increases based on CalPERS merit salary increase tables.
Mortality Rates	Based on CalPERS tables		

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total OPEB liability is 3.13%. 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 Total OPEB Liability

	<u>Increases (Decreases)</u>
	<u>Total OPEB Liability</u>
Balance as of report date June 30, 2019	\$ 830,946
Changes for the year:	
Service cost	60,006
Interest	31,788
Changes in benefit terms	-
Differences between expected and actual experience	(304,506)
Changes of assumptions	64,767
Benefit payments	(1,545)
Implicit rate subsidy fulfilled	(24,075)
Administrative expenses	-
Net changes	<u>(173,565)</u>
Balance as of report date June 30, 2020	<u>\$ 657,381</u>

Sensitivity of Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Total OPEB liability (asset)	\$ 748,692	\$ 657,381	\$ 581,384
Increase (decrease)	91,311		(75,997)
% Change	13.9%		-11.6%

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend for this valuation started at 7.00% and decreased to 3.84% over 56 years. The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (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>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
	<u>Decreasing to 2.84%</u>	<u>Decreasing to 3.84%</u>	<u>Decreasing to 4.84%</u>
Total OPEB liability (asset)	\$ 624,999	\$ 657,381	\$ 695,080
Increase (decrease)	(32,382)		37,699
% Change	-4.9%		5.7%

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

For the year ended June 30, 2020, the City recognized an OPEB expense of \$66,286. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 273,476
Changes of assumptions	57,949	656
City contributions subsequent to the measurement date	15,824	-
Total	\$ 73,773	\$ 274,132

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

<u>Report Year Ending June 30:</u>	<u>Amount</u>
2021	\$ (25,508)
2022	(25,508)
2023	(25,508)
2024	(25,508)
2025	(25,508)
Remaining	(88,643)

NOTE 11. FUND BALANCE

As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Non-spendable Fund Balance of \$385,379 consisting of prepaid expenses (\$46,120) and noncurrent receivables (\$339,259), Restricted Fund Balance of \$7,576 restricted for fund purposes of public safety and parks maintenance, and an Unassigned Fund Balance (Deficit) of (\$205,260) at June 30, 2020.

Other Major Funds

The Community Development Project Income Fund has Non-spendable Fund Balance of \$1,215,337 consisting of noncurrent receivables and an Unassigned Fund Balance of \$68,678 at June 30, 2020.

The Boles Fire Fund has a Restricted Fund Balance of \$260,817 restricted for on-going mitigation efforts at June 30, 2020.

Other Funds

Other governmental (non-major) funds have Restricted Fund Balance of \$350,124 restricted for fund purposes of streets and roads improvements and an Unassigned Fund Balance of \$84,331 at June 30, 2020.

NOTE 12. 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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2020

NOTE 12. CONTINGENCIES (continued)

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.

COVID-19: During the second half of the fiscal year, the COVID-19 virus was declared a pandemic and various restrictions have been placed on the City and its citizens. Management has not been able to quantify the impact to the City.

NOTE 13. PRIOR PERIOD ADJUSTMENTS

The City's various funds, both governmental and business-like activities, had prior period adjustments related to the following:

Fund Balance Increase (Decrease)

1. Prior period adjustment for correcting beginning misstatements in accounts payable	\$ 29,450
2. Prior period adjustment to the proceeds from debt financing	(15,461)
3. Prior period adjustment to reverse prior misstatements in reconciling the pooled checking account	<u>(11,677)</u>
Net impact on the Fund Balance	<u><u>\$ 2,312</u></u>

IMPACT ON:

GOVERNMENTAL ACTIVITIES

Net Position - July 1, 2019 - as previously reported	\$ 14,326,089
Prior Period Adjustment - sum of #1 and 3 above	<u>17,773</u>
Net Position - July 1, 2019- as restated	<u><u>\$ 14,343,862</u></u>

BUSINESS-TYPE ACTIVITIES

	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Position - July 1, 2019 - as previously reported	\$ 7,322,906	\$ 8,421,240
Prior Period Adjustment	<u>1,260</u>	<u>1,263</u>
Net Position - July 1, 2019 - as restated	<u><u>\$ 7,324,166</u></u>	<u><u>\$ 8,422,503</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 647,042	\$ 647,042	\$ 680,245	\$ 33,203
Sales and use taxes	1,527,354	1,527,354	1,428,074	(99,280)
Transient occupancy taxes	352,445	352,445	327,654	(24,791)
Franchise and other taxes	176,219	176,219	116,087	(60,132)
Licenses and permits	8,235	8,235	10,099	1,864
Fines, forfeitures and penalties	4,090	4,090	23,506	19,416
Intergovernmental revenues	195,000	195,000	457,357	262,357
Charges for services	43,265	43,265	207,678	164,413
Use of money and property	700	700	7,124	6,424
Other	2,389,500	2,389,500	121,551	(2,267,949)
Total revenues	<u>5,343,850</u>	<u>5,343,850</u>	<u>3,379,375</u>	<u>(1,964,475)</u>
EXPENDITURES				
Current:				
General government	1,078,141	1,078,141	689,847	388,294
Police protection	1,475,085	1,475,085	1,575,513	(100,428)
Fire protection	413,413	413,413	503,236	(89,823)
Streets and roads	503,876	503,876	484,940	18,936
Buildings and grounds	108,542	108,542	52,308	56,234
Community and economic development	64,000	64,000	87,740	(23,740)
Library	52,500	52,500	47,817	4,683
Capital outlay	1,406,550	1,406,550	197,957	1,208,593
Bad debt (recovery)	-	-	(5,673)	5,673
Debt service:				
Principal	-	-	60,463	(60,463)
Interest	-	-	12,500	(12,500)
Total expenditures	<u>5,102,107</u>	<u>5,102,107</u>	<u>3,706,648</u>	<u>1,395,459</u>
Excess of revenues over expenditures	<u>241,743</u>	<u>241,743</u>	<u>(327,273)</u>	<u>(569,016)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	282,820	282,820
Operating transfers in (out)	-	-	(5,110)	(5,110)
Total other financing sources	<u>-</u>	<u>-</u>	<u>277,710</u>	<u>277,710</u>
Excess of revenues and other financing sources over (under) expenditures	<u>241,743</u>	<u>241,743</u>	<u>(49,563)</u>	<u>(291,306)</u>
FUND BALANCES				
Beginning of year	223,943	223,943	223,943	-
Prior period adjustment	13,315	13,315	13,315	-
Beginning of year, as restated	<u>237,258</u>	<u>237,258</u>	<u>237,258</u>	<u>-</u>
End of year	<u>\$ 479,001</u>	<u>\$ 479,001</u>	<u>\$ 187,695</u>	<u>\$ (291,306)</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, 2020

The City of Weed did not adopt a budget for the Community/Economic Development Block Grant Fund for the year ended June 30, 2020.

CITY OF WEED
Budgetary Comparison Schedule
Boles Fire Fund
For The Year Ended June 30, 2020

The City of Weed did not adopt a budget for the Boles Fire Fund for the year ended June 30, 2020.

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

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

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability (asset)	0.03064%	0.02368%	0.02617%	0.02643%	0.02690%	0.02760%
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	\$ 2,827,799
City's covered-employee payroll	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742	\$ 1,745,940
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%	161.96%
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%	22.76%
City's proportionate share fo aggregate employer contributions ^{2,3}	\$ 226,977	\$ 298,948	\$ 301,035	\$ 319,540	\$ 352,985	\$ 408,108

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

² The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions 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.

³ 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
June 30, 2020
Last 10 Years

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

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018	2019
Actuarially determined contribution ²	\$ 155,089	\$ 152,981	\$ 203,195	\$ 233,055	\$ 273,500	\$ 332,877
Contributions in relation to the actuarially determined contributions ³	155,089	152,981	203,195	233,055	273,500	332,877
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742	\$ 1,745,940
Contributions as a percentage of covered-employee payroll ⁵	12.35%	12.13%	14.41%	16.08%	17.12%	19.07%

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

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

³ Ibid.

⁴ Ibid.

CITY OF WEED
Single-Employer Defined Benefit Post-employment Healthcare Plan
June 30, 2020
Last 10 Years ¹

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

	Measurement Date: Report Date:	June 30, 2017 June 30, 2018	June 30, 2018 June 30, 2019	June 30, 2019 June 30, 2020
<u>Total OPEB Liability</u>				
Service cost	\$	57,453	\$ 59,105	\$ 60,006
Interest		26,690	29,005	31,788
Changes in benefit terms		-	-	-
Differences between expected and actual experience		-	(1,356)	(304,506)
Changes of assumptions		-	(868)	64,767
Benefit payments		(1,280)	(1,585)	(1,545)
Implicit rate subsidy fulfilled		(19,736)	(19,546)	(24,075)
Net change in Total OPEB obligation		63,127	64,755	(173,565)
Total/Net OPEB Obligation - Beginning of Year, as restated ³		702,512	766,191	830,946
Total OPEB Liability - End of Year	\$	765,639	\$ 830,946	\$ 657,381
Covered-Employee Payroll	\$	1,402,379	\$ 1,440,944	\$ 1,491,098
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll ⁴		54.60%	57.67%	44.09%

Notes to schedule:

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

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

³ The restatement for the year-ended June 30, 2018 was due to the beginning plan adjustment. The restatement for the year ended June 30, 2019 in the amount of \$1,943 was due to estimates in the 2nd year of the actuarial valuation report that is allowed to be used for two fiscal years according to GASB 75.

SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds							
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund	Total
ASSETS								
Cash and investments	\$ 6,682	\$ 115,336	\$ 51,791	\$ 129,245	\$ 87,460	\$ 29,278	\$ 9,945	\$ 429,737
Receivables (net of allowance for doubtful accounts):								
Intergovernmental	-	7,847	-	-	7,496	-	-	15,343
Total assets	<u>\$ 6,682</u>	<u>\$ 123,183</u>	<u>\$ 51,791</u>	<u>\$ 129,245</u>	<u>\$ 94,956</u>	<u>\$ 29,278</u>	<u>\$ 9,945</u>	<u>\$ 445,080</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,625	\$ -	\$ -	\$ 10,625
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,625</u>	<u>-</u>	<u>-</u>	<u>10,625</u>
Fund balances:								
Restricted for:								
Streets and roads	6,682	123,183	51,791	129,245	-	29,278	9,945	350,124
Assigned for:								
Special projects	-	-	-	-	84,331	-	-	84,331
Total fund balance	<u>6,682</u>	<u>123,183</u>	<u>51,791</u>	<u>129,245</u>	<u>84,331</u>	<u>29,278</u>	<u>9,945</u>	<u>434,455</u>
Total liabilities and fund balance	<u>\$ 6,682</u>	<u>\$ 123,183</u>	<u>\$ 51,791</u>	<u>\$ 129,245</u>	<u>\$ 94,956</u>	<u>\$ 29,278</u>	<u>\$ 9,945</u>	<u>\$ 445,080</u>

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, 2020

	Special Revenue Funds							
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund	Total
REVENUES								
Intergovernmental revenues	\$ 3,336	\$ 55,998	\$ 97,163	\$ 134,821	\$ -	\$ -	\$ -	\$ 291,318
Transient occupancy taxes	-	-	-	-	76,636	-	-	76,636
Total revenues	<u>3,336</u>	<u>55,998</u>	<u>97,163</u>	<u>134,821</u>	<u>76,636</u>	<u>-</u>	<u>-</u>	<u>367,954</u>
EXPENDITURES								
Current:								
Community and economic development	-	-	-	-	77,670	1,673	-	79,343
Public transportation	-	-	70,352	-	-	-	-	70,352
Total expenditures	<u>-</u>	<u>-</u>	<u>70,352</u>	<u>-</u>	<u>77,670</u>	<u>1,673</u>	<u>-</u>	<u>149,695</u>
Excess of revenues over (under) expenditures	<u>3,336</u>	<u>55,998</u>	<u>26,811</u>	<u>134,821</u>	<u>(1,034)</u>	<u>(1,673)</u>	<u>-</u>	<u>218,259</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	-	-	-	-	-	-	5,110	5,110
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,110</u>	<u>5,110</u>
Excess of revenues and other financing uses over (under) expenditures	<u>3,336</u>	<u>55,998</u>	<u>26,811</u>	<u>134,821</u>	<u>(1,034)</u>	<u>(1,673)</u>	<u>5,110</u>	<u>223,369</u>
FUND BALANCE								
Beginning of year	3,346	67,185	24,980	6,101	85,365	30,951	4,835	222,763
Prior period adjustment	-	-	-	(11,677)	-	-	-	(11,677)
Beginning of year, as restated	<u>3,346</u>	<u>67,185</u>	<u>24,980</u>	<u>(5,576)</u>	<u>85,365</u>	<u>30,951</u>	<u>4,835</u>	<u>211,086</u>
End of year	<u>\$ 6,682</u>	<u>\$ 123,183</u>	<u>\$ 51,791</u>	<u>\$ 129,245</u>	<u>\$ 84,331</u>	<u>\$ 29,278</u>	<u>\$ 9,945</u>	<u>\$ 434,455</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 the City of Weed as of and for the year ended June 30, 2020, 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 May 13, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 the 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, responses, and corrective action plans, that I consider to be a material weakness (**Finding 2020-001**) and significant deficiencies (**Findings 2020-002 to 2020-004**).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* (**Finding 2020-003**).

City of Weed, California's Response to Findings

The City of Weed, California's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The 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. Pilon, CPA".

Charles W. Pilon, CPA
Anderson, California

May 13, 2021

City of Weed, California
Schedule of Findings, Responses and Corrective Action Plans
For the Year Ended June 30, 2020

SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Weed (City), were prepared in accordance with GAAP.
2. One material weakness and three significant deficiencies 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. One instance of noncompliance significant to 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*.

Findings - Financial Statement Audit

2020-001 Material Weakness

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

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

Criteria: In accordance with *Statement on Auditing Standards No. 122c*, external auditors cannot be part of an entity's internal controls over the preparation of the financial statements and are prohibited from auditing their own work, which would impair independence. All City financial documents should be final and reconciled before the audit begins. All adjustments necessary for financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles should be identified and posted by the City.

Cause: The City did not identify and post numerous material closing entries for the year under audit. These adjustments were not identified by the City because of ineffective internal controls over the financial close process. This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018 and 2019.

Effect: Financial statements which are not in conformity with generally accepted accounting principles and contained material misstatements 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. As an additional recommendation in this audit, the City should consider and explore the costs of using a qualified CPA to assist the City with the year-end close process, typically referred to as a pre-audit, and assist with preparing the GAAP financial statements at year-end or as needed.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the finding. Due to the Covid-19 pandemic, the City faced personnel shortages in the finance department and the year-end financial close and reporting recommendations from the prior audit could not be implemented, however, if the situation improves, the Finance Director plans on implementing for the year-end FY20-21 close and preparation for the audit.

City of Weed, California
Schedule of Findings, Responses and Corrective Action Plans
For the Year Ended June 30, 2020

2020-002 Significant Deficiency

Budgetary Process for Governmental Funds

Condition: I did not identify evidence that budget amendments were approved throughout the fiscal year and that budgets were approved for all major governmental funds.

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: Although there were no material budget violations during FY19-20, budget amendments were not approved that would provide meaningful criteria to effectively manage the various departments and funds. Lastly, even though the City has a policy for amending the budget throughout the fiscal year, there is no evidence that it was implemented. This is a repeat finding from the prior year due.

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

Recommendation: The City should ensure that Financial Policy 105 is fully and effectively implemented.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the finding and will implement during FY20-21.

2020-003 Significant Deficiency and Noncompliance

Grant Management

Condition: Although the City did much better at ensuring that the financial system documents reconciled to the grant reporting/funds requests found in the grant files, there was still no evidence in the grant files that the financial system (i.e. general ledger) actually agreed with the grant reporting/funds requests. In addition, the grant files continued to be very unorganized allowing for easy review and reconciliation.

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/funds requests submitted to the grantors, and the grant files should be appropriately organized.

Cause: During FY19-20, the City's Finance Director reduced the material differences between the grant reports/funds requests and the accounting records, however, there was no direct reconciliation to the general ledger in the accounting system. In addition, the grant files continue to be unorganized and not easily assimilated to find and review the different aspects of the grant project, such as contract administration, contractor/consultant procurement, non-financial reporting, and financial reporting.

Effect: Grant reporting/funds requests were misstated resulting in unfunded project costs, which in turn required additional year-end audit accruals. A significant instance of noncompliance with the grants occurred due to these misstatements and the lack of organization of the grant files.

Recommendation: I recommend the City ensure the financial system reconciles to the grant reporting/funds requests without exception and to document this reconciliation with the general ledger. In addition, the City should dedicate someone to better organize the grant files as stated in the "cause" section.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the finding and will implement during FY20-21.

City of Weed, California
Schedule of Findings, Responses and Corrective Action Plans
For the Year Ended June 30, 2020

2020-004 Significant Deficiency

Subsidiary Ledgers

Condition: The City's accounts payable system is not capable of providing a list of amounts due to vendors at month-end that reconciles with the general ledger. In addition, the City relies on the auditor to manage the detailed list of capital assets at year-end and reconcile it to the general ledger, as well as compute and post annual depreciation expense.

Criteria: The City is required to ensure that any subsidiary detail from separate accounting modules such as receivables, payables, payroll, and assets reconcile to the general ledger at any point in time.

Cause: For the accounts payable detail subsidiary ledger, the City was not aware that the accounts payable module of the accounting system did not have this capability to print this report and the month-end reconciliations are not being done. For the capital assets ledger, the City relies on the auditor to update.

Effect: Material misstatements are occurring requiring material audit adjustments to reconcile. This also increase my audit risk that material misstatements will not be found and corrected, thus issuing materially misstated financial statements and an incorrect audit opinion.

Recommendation: The City should ensure that the various accounting module detailed subsidiary ledgers reconcile monthly to the general ledger, and as part of the year-end financial close and reporting controls, ensure that the capital asset detailed listing is updated and reconciled to the general ledger and all depreciation is accurately computed and the expense posted to the general ledger.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the finding. The finance department personnel will start working closely with the software provider to correct the accounts payable subsidiary report. For the capital assets ledger, the Finance Director will work closely with the auditor to update this for the FY20-21 audit.

Summary of Prior Audit Findings

2019-001 Material 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 2020-001**, this recommendation has still not been implemented.

2019-002 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.

City of Weed, California
Schedule of Findings, Responses and Corrective Action Plans
For the Year Ended June 30, 2020

Current Status: The recommendation of not exceeding budgeted amounts was implemented for the General Fund and the City developed a new budget for FY19-20, however, I did not identify evidence that the recommendation for approving budget amendments throughout the fiscal year was implemented.

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.

Recommendation: It was recommended the City ensure the financial system reconciles to the grant reporting without exception.

Current Status: As stated in **Finding 2020-003**, the recommendation of ensuring that the financial system reconciles to the grant reporting was partially implemented during the fiscal year.