

CITY OF WEED, CALIFORNIA
BASIC FINANCIAL STATEMENTS
and
SINGLE AUDIT REPORT
For the Year Ended JUNE 30, 2021

City of Weed, California
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June 30, 2021

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INDEPENDENT AUDITOR'S 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, each major fund and the aggregate remaining fund information of the City of Weed, California (City) as of and for the year ended June 30, 2021, 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, each major fund and the aggregate remaining fund information of the City of Weed, California as of June 30, 2021, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information (Unaudited)

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 37 to 39, the cost-sharing multiple employer defined benefit pension plan information on pages 40 and 41, and the single-employer defined benefit post-employment healthcare plan information on page 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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

The combining non-major fund financial statements on pages 43 and 44, and the schedule of expenditures of federal awards on page 49, 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 12, 2022, 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

April 12, 2022

BASIC FINANCIAL STATEMENTS

CITY OF WEED
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 1,507,053 | \$ 1,027,020 | \$ 2,534,073 |
| Receivables (net of allowances for bad debts, where applicable): | | | |
| Trade accounts | - | 221,676 | 221,676 |
| Loans | 1,436,324 | - | 1,436,324 |
| Intergovernmental | 1,824,717 | 85,172 | 1,909,889 |
| Interfund balances | 725,872 | (725,872) | - |
| Capital assets: | | | |
| Non-depreciable | 7,534,769 | 7,265,036 | 14,799,805 |
| Depreciable, net | 8,693,303 | 16,659,106 | 25,352,409 |
| Total capital assets | <u>16,228,072</u> | <u>23,924,142</u> | <u>40,152,214</u> |
| Total assets | <u>21,722,038</u> | <u>24,532,138</u> | <u>46,254,176</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows from pensions | 669,475 | 92,927 | 762,402 |
| Deferred outflows from OPEB | 72,631 | 12,504 | 85,135 |
| Total deferred outflows of resources | <u>742,106</u> | <u>105,431</u> | <u>847,537</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 873,901 | 55,978 | 929,879 |
| Bank overdraft payable | 1,024,859 | - | 1,024,859 |
| Accrued liabilities | 67,311 | 6,823 | 74,134 |
| Deposits | - | 70,161 | 70,161 |
| Unearned revenues | 232,079 | - | 232,079 |
| Long-term liabilities, due within one year: | | | |
| Notes payable, lease obligations and interest payable | 95,761 | 138,115 | 233,876 |
| Compensated absences | 38,932 | 22,268 | 61,200 |
| Due in more than one year: | | | |
| Notes payable and lease obligations | 1,014,639 | 1,673,248 | 2,687,887 |
| Compensated absences | 123,483 | 37,380 | 160,863 |
| Net pension liability | 2,719,717 | 377,513 | 3,097,230 |
| Total OPEB liability | <u>637,698</u> | <u>109,783</u> | <u>747,481</u> |
| Total liabilities | <u>6,828,380</u> | <u>2,491,269</u> | <u>9,319,649</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred inflows from pensions | 159,457 | 22,134 | 181,591 |
| Deferred inflows from OPEB | 206,628 | 35,572 | 242,200 |
| Total deferred inflows of resources | <u>366,085</u> | <u>57,706</u> | <u>423,791</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 15,126,921 | 22,112,779 | 37,239,700 |
| Restricted | 760,210 | - | 760,210 |
| Unrestricted | (617,452) | (24,185) | (641,637) |
| Total net position | <u>\$ 15,269,679</u> | <u>\$ 22,088,594</u> | <u>\$ 37,358,273</u> |

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

CITY OF WEED
Statement of Activities
For The Year Ended June 30, 2021

| | 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 | \$ 803,595 | \$ 33,132 | \$ - | \$ - | \$ (770,463) | \$ - | \$ (770,463) |
| Public safety | 2,128,523 | 159,918 | 159,385 | - | (1,809,220) | - | (1,809,220) |
| Public works | 665,810 | - | 286,061 | 802,863 | 423,114 | - | 423,114 |
| Community and economic development | 84,776 | - | - | - | (84,776) | - | (84,776) |
| Interest expense | 28,150 | - | - | - | (28,150) | - | (28,150) |
| Total governmental activities | <u>3,710,854</u> | <u>193,050</u> | <u>445,446</u> | <u>802,863</u> | <u>(2,269,495)</u> | <u>-</u> | <u>(2,269,495)</u> |
| Business-type activities: | | | | | | | |
| Water | 692,056 | 823,289 | - | - | - | 131,233 | 131,233 |
| Sewer | 747,160 | 618,941 | - | 484,265 | - | 356,046 | 356,046 |
| Solid waste | 646,966 | 666,948 | 5,000 | - | - | 24,982 | 24,982 |
| Total business-type activities | <u>2,086,182</u> | <u>2,109,178</u> | <u>5,000</u> | <u>484,265</u> | <u>-</u> | <u>512,261</u> | <u>512,261</u> |
| Total primary government | <u>\$ 5,797,036</u> | <u>\$ 2,302,228</u> | <u>\$ 450,446</u> | <u>\$ 1,287,128</u> | <u>(2,269,495)</u> | <u>512,261</u> | <u>(1,757,234)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 692,758 | - | 692,758 |
| Sales and use taxes | | | | | 1,846,242 | - | 1,846,242 |
| Transient occupancy taxes | | | | | 501,191 | - | 501,191 |
| Other taxes | | | | | 166,377 | - | 166,377 |
| Interest income | | | | | 29,715 | 2 | 29,717 |
| Loss on sale of capital assets | | | | | 45 | - | 45 |
| Other | | | | | 78,971 | 10,051 | 89,022 |
| Extraordinary items | | | | | 365,937 | 1,001,062 | 1,366,999 |
| Total general revenues and extraordinary items | | | | | <u>3,681,236</u> | <u>1,011,115</u> | <u>4,692,351</u> |
| Change in net position | | | | | <u>1,411,741</u> | <u>1,523,376</u> | <u>2,935,117</u> |
| Net position, beginning of year, as previously reported | | | | | 13,832,093 | 20,602,251 | 34,434,344 |
| Prior period adjustment | | | | | <u>25,845</u> | <u>(37,033)</u> | <u>(11,188)</u> |
| Net position, beginning of year, as restated | | | | | <u>13,857,938</u> | <u>20,565,218</u> | <u>34,423,156</u> |
| Net position, end of the year | | | | | <u>\$ 15,269,679</u> | <u>\$ 22,088,594</u> | <u>\$ 37,358,273</u> |

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

CITY OF WEED
Balance Sheet
Governmental Funds
June 30, 2021

| | 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 | \$ 132,569 | \$ 324,371 | \$ 492,735 | \$ 557,378 | \$ 1,507,053 |
| Receivables (net of allowance for doubtful accounts): | | | | | |
| Loans | 322,653 | 1,113,671 | - | - | 1,436,324 |
| Intergovernmental | 1,760,876 | - | - | 63,841 | 1,824,717 |
| Due from other funds | 725,872 | - | - | - | 725,872 |
| Total assets | <u>\$ 2,941,970</u> | <u>\$ 1,438,042</u> | <u>\$ 492,735</u> | <u>\$ 621,219</u> | <u>\$ 5,493,966</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 870,346 | 2 | - | 3,553 | \$ 873,901 |
| Bank overdraft payable | 1,024,859 | - | - | - | 1,024,859 |
| Accrued liabilities | 106,239 | - | - | 4 | 106,243 |
| Accrued interest payable | 9,249 | - | - | - | 9,249 |
| Unearned revenue | - | - | 232,079 | - | 232,079 |
| Total liabilities | <u>2,010,693</u> | <u>2</u> | <u>232,079</u> | <u>3,557</u> | <u>2,246,331</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Noncurrent receivables | <u>322,653</u> | <u>1,113,671</u> | <u>-</u> | <u>-</u> | <u>1,436,324</u> |
| Total nonspendable | <u>322,653</u> | <u>1,113,671</u> | <u>-</u> | <u>-</u> | <u>1,436,324</u> |
| Restricted for: | | | | | |
| Streets and roads | - | - | - | 491,978 | 491,978 |
| Public safety | 3,066 | - | - | - | 3,066 |
| Parks maintenance | 4,510 | - | - | - | 4,510 |
| Boles fire | - | - | 260,656 | - | 260,656 |
| Total restricted | <u>7,576</u> | <u>-</u> | <u>260,656</u> | <u>491,978</u> | <u>760,210</u> |
| Assigned for: | | | | | |
| Special projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>125,684</u> | <u>125,684</u> |
| Unassigned | <u>601,048</u> | <u>324,369</u> | <u>-</u> | <u>-</u> | <u>925,417</u> |
| Total fund balance | <u>931,277</u> | <u>1,438,040</u> | <u>260,656</u> | <u>617,662</u> | <u>3,247,635</u> |
| Total liabilities and fund balance | <u>\$ 2,941,970</u> | <u>\$ 1,438,042</u> | <u>\$ 492,735</u> | <u>\$ 621,219</u> | <u>\$ 5,493,966</u> |

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

CITY OF WEED
Reconciliation of the Balance Sheet - Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2021

| | | |
|--|--------------------|-----------------------------|
| Total fund balances included in the Balance Sheet - Governmental Funds | | \$ 3,247,635 |
| Assets recorded within the Statement of Net Position not reported in the funds: | | |
| Nondepreciable capital assets | | 7,534,769 |
| Depreciable capital assets | 17,147,596 | |
| Accumulated depreciation | <u>(8,454,293)</u> | 8,693,303 |
| Deferred inflows (outflows) recorded within the statement of net position not reported in the funds: | | |
| Deferred inflows of resources relating to pensions | | (159,457) |
| Deferred inflows of resources relating to OPEB | | (206,628) |
| Deferred outflows of resources relating to pensions | | 669,475 |
| Deferred outflows of resources relating to OPEB | | 72,631 |
| Liabilities recorded within the Statement of Net Position not reported in the funds: | | |
| Compensated absences | | (123,483) |
| Net pension liability | | (2,719,717) |
| Total OPEB obligation | | (637,698) |
| Long-term debt | | <u>(1,101,151)</u> |
| Total net position of governmental activities | | <u><u>\$ 15,269,679</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, 2021

| | | Special Revenue Funds | | | |
|--|--------------|---|-----------------|--------------------------|--------------------------|
| | General Fund | Community and Economic Development Block Grant Fund | Boles Fire Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | |
| Property taxes | \$ 692,758 | \$ - | \$ - | \$ - | \$ 692,758 |
| Sales and use taxes | 1,846,242 | - | - | - | 1,846,242 |
| Transient occupancy taxes | 407,206 | - | - | 93,985 | 501,191 |
| Franchise and other taxes | 166,377 | - | - | - | 166,377 |
| Licenses and permits | 14,673 | - | - | - | 14,673 |
| Fines, forfeitures and penalties | 6,385 | - | - | - | 6,385 |
| Intergovernmental revenues | 962,248 | - | - | 286,061 | 1,248,309 |
| Charges for services | 171,992 | - | - | - | 171,992 |
| Use of money and property | 7,157 | 22,646 | - | (88) | 29,715 |
| Other | 78,861 | 110 | - | - | 78,971 |
| Total revenues | 4,353,899 | 22,756 | - | 379,958 | 4,756,613 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| City council | 14,737 | - | - | - | 14,737 |
| Finance and administration | 459,076 | - | - | - | 459,076 |
| City attorney | 34,633 | - | - | - | 34,633 |
| Planning | 99,329 | - | - | - | 99,329 |
| Police protection | 1,466,713 | - | - | - | 1,466,713 |
| Animal regulation & code enforcement | 657 | - | - | - | 657 |
| Fire protection | 378,658 | - | 161 | - | 378,819 |
| Public works - streets & roads | 324,622 | - | - | 74,725 | 399,347 |
| Public works - buildings & grounds | 44,606 | - | - | - | 44,606 |
| Community and economic development | 51,471 | 5,346 | - | 52,632 | 109,449 |
| Public transportation | - | - | - | 69,393 | 69,393 |
| Library | 33,765 | - | - | - | 33,765 |
| Bad debt expense (recovery) | (1,000) | (143,066) | - | - | (144,066) |
| Capital outlay | 958,521 | - | - | - | 958,521 |
| Debt service: | | | | | |
| Principal | 75,230 | - | - | - | 75,230 |
| Interest | 28,150 | - | - | - | 28,150 |
| Total expenditures | 3,969,168 | (137,720) | 161 | 196,750 | 4,028,359 |
| Excess of revenues over (under) expenditures | 384,731 | 160,476 | (161) | 183,208 | 728,254 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of capital assets | 45 | - | - | - | 45 |
| Operating transfers in (out) | 6,451 | (6,451) | - | - | - |
| Total other financing sources and (uses) | 6,496 | (6,451) | - | - | 45 |
| EXTRAORDINARY ITEM | | | | | |
| Covid-19 revenues | 365,937 | - | - | - | 365,937 |
| Net change in fund balances | 757,164 | 154,025 | (161) | 183,208 | 1,094,236 |
| FUND BALANCE | | | | | |
| Beginning of year, as previously reported | 187,695 | 1,284,015 | 260,817 | 434,454 | 2,166,981 |
| Prior period adjustments | (13,582) | - | - | - | (13,582) |
| Beginning of year, as restated | 174,113 | 1,284,015 | 260,817 | 434,454 | 2,153,399 |
| End of year | \$ 931,277 | \$ 1,438,040 | \$ 260,656 | \$ 617,662 | \$ 3,247,635 |

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, 2021

| | |
|---|--------------|
| Total net change in fund balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 1,094,236 |
|---|--------------|

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 | 958,521 | |
| Depreciation expense | (451,717) | 506,804 |

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 | 75,230 |
|----------------------------|--------|

| | |
|--|-----------|
| 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. | (214,305) |
|--|-----------|

| | |
|--|----------|
| 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. | (33,396) |
|--|----------|

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 | (16,828) |
|------------------------------|----------|

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 1,411,741 |
|---|--------------|

CITY OF WEED
Statement of Net Position
Proprietary Funds
June 30, 2021

| | | Enterprise | | |
|--|---------------|---------------|---------------------|---------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Total |
| ASSETS | | | | |
| Cash and investments | \$ 186,212 | \$ 654,948 | \$ 185,860 | \$ 1,027,020 |
| Receivables (net of allowances for bad debts, where applicable): | | | | |
| Trade accounts | 106,682 | 54,639 | 60,355 | 221,676 |
| Intergovernmental | 10,626 | 74,546 | - | 85,172 |
| Capital assets: | | | | |
| Non-depreciable | 3,196,912 | 4,068,124 | - | 7,265,036 |
| Depreciable, net | 7,121,130 | 9,537,976 | - | 16,659,106 |
| Total capital assets, net | 10,318,042 | 13,606,100 | - | 23,924,142 |
| Total assets | 10,621,562 | 14,390,233 | 246,215 | 25,258,010 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows from pensions | 40,457 | 52,470 | - | 92,927 |
| Deferred outflows from OPEB | 5,658 | 6,846 | - | 12,504 |
| Total deferred outflows of resources | 46,115 | 59,316 | - | 105,431 |
| LIABILITIES | | | | |
| Accounts payable | 14,626 | 16,462 | 24,890 | 55,978 |
| Accrued liabilities | 4,656 | 2,167 | - | 6,823 |
| Deposits | 70,161 | - | - | 70,161 |
| Due to other funds | 697,791 | 28,081 | - | 725,872 |
| Long-term liabilities, due within one year: | | | | |
| Notes payable | 100,000 | 38,115 | - | 138,115 |
| Compensated absences | 7,206 | 7,856 | 7,206 | 22,268 |
| Due in more than one year: | | | | |
| Notes payable | 1,007,000 | 666,248 | - | 1,673,248 |
| Compensated absences | 10,596 | 16,188 | 10,596 | 37,380 |
| Net pension liability | 164,356 | 213,157 | - | 377,513 |
| Total OPEB liability | 49,675 | 60,108 | - | 109,783 |
| Total liabilities | 2,126,067 | 1,048,382 | 42,692 | 3,217,141 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows from pensions | 9,637 | 12,497 | - | 22,134 |
| Deferred inflows from OPEB | 16,096 | 19,476 | - | 35,572 |
| Total deferred inflows of resources | 25,733 | 31,973 | - | 57,706 |
| NET POSITION | | | | |
| Net investment in capital assets | 9,211,042 | 12,901,737 | - | 22,112,779 |
| Unrestricted | (695,165) | 467,457 | 203,523 | (24,185) |
| Total net position | \$ 8,515,877 | \$ 13,369,194 | \$ 203,523 | \$ 22,088,594 |

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, 2021

| | Water Fund | Enterprise Sewer Fund | Solid Waste Fund | Total |
|--|---------------------|-----------------------------|---------------------|----------------------|
| <u>OPERATING REVENUES</u> | | | | |
| User fees and charges | \$ 823,289 | \$ 618,941 | \$ 666,948 | \$ 2,109,178 |
| <u>OPERATING EXPENSES</u> | | | | |
| Cost of power | 39,928 | 45,144 | - | 85,072 |
| Maintenance, operations, and administration | 408,956 | 443,956 | 640,126 | 1,493,038 |
| Depreciation | 228,944 | 235,505 | - | 464,449 |
| Bad debt expense | 14,228 | 6,155 | 6,840 | 27,223 |
| Total operating expenses | 692,056 | 730,760 | 646,966 | 2,069,782 |
| Operating income (loss) | 131,233 | (111,819) | 19,982 | 39,396 |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | | | | |
| Intergovernmental revenues | - | 484,265 | 5,000 | 489,265 |
| Interest income | 2 | - | - | 2 |
| Other | 160 | 9,891 | - | 10,051 |
| Interest expense | - | (16,400) | - | (16,400) |
| Net nonoperating revenues (expenses) | 162 | 477,756 | 5,000 | 482,918 |
| Net income before extraordinary item | 131,395 | 365,937 | 24,982 | 522,314 |
| Extraordinary items: | | | | |
| Covid-19 revenues | - | 1,062 | - | 1,062 |
| Non-monetary donation | 1,000,000 | - | - | 1,000,000 |
| Change in net position | 1,131,395 | 366,999 | 24,982 | 1,523,376 |
| <u>NET POSITION</u> | | | | |
| Beginning of year, as previously reported | 7,384,482 | 13,039,228 | 178,541 | 20,602,251 |
| Prior period adjustments | - | (37,033) | - | (37,033) |
| Beginning of year, as restated | 7,384,482 | 13,002,195 | 178,541 | 20,565,218 |
| End of year | <u>\$ 8,515,877</u> | <u>\$ 13,369,194</u> | <u>\$ 203,523</u> | <u>\$ 22,088,594</u> |

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

CITY OF WEED
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2021

| | Enterprise | | | |
|---|------------|------------|------------------|--------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Total |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | |
| Receipts from customers | \$ 800,925 | \$ 609,477 | \$ 662,000 | \$ 2,072,402 |
| Payments to suppliers | (253,326) | (261,211) | (643,602) | (1,158,139) |
| Payments to or on behalf of employees | (175,859) | (210,614) | - | (386,473) |
| Net cash provided (used) by operating activities | 371,740 | 137,652 | 18,398 | 527,790 |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | | | |
| Intergovernmental revenues | - | - | 5,000 | 5,000 |
| Repayments of interfund balance | (225,000) | - | - | (225,000) |
| Interest earned | 2 | - | - | 2 |
| Receipts from other revenues | 160 | 9,892 | - | 10,052 |
| Net cash provided (used) by non-capital financing activities | (224,838) | 9,892 | 5,000 | (209,946) |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | | |
| Intergovernmental revenues | - | 836,145 | - | 836,145 |
| Purchase of capital assets | (102,437) | (589,491) | - | (691,928) |
| Principal payments on capital debt | - | (28,760) | - | (28,760) |
| Interest payments on capital debt | - | (16,400) | - | (16,400) |
| Net cash provided (used) by capital and related financing activities | (102,437) | 201,494 | - | 99,057 |
| Net increase (decrease) in cash | 44,465 | 349,038 | 23,398 | 416,901 |
| Cash and investments, beginning of year | 141,747 | 305,910 | 162,462 | 610,119 |
| Cash and investments, end of year | \$ 186,212 | \$ 654,948 | \$ 185,860 | \$ 1,027,020 |
| Reconciliation of operating income (loss) to cash provided by operating activities | | | | |
| Operating income (loss) | 131,233 | (111,819) | 19,982 | 39,396 |
| Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 228,944 | 235,505 | - | 464,449 |
| (Increase) decrease in: | | | | |
| Accounts receivable | (18,627) | (9,464) | (4,948) | (33,039) |
| Deferred outflows from pensions | (352) | 1,158 | - | 806 |
| Deferred outflows from OPEB | (1,060) | (1,171) | - | (2,231) |
| Increase (decrease) in: | | | | |
| Accounts payable | 8,582 | 15 | 467 | 9,064 |
| Accrued liabilities | 827 | (1,048) | - | (221) |
| Deposits | (3,737) | - | - | (3,737) |
| Compensated absences | 2,897 | 3,083 | 2,897 | 8,877 |
| Net pension liability | 16,812 | 15,858 | - | 32,670 |
| Total OPEB liability | 8,705 | 9,537 | - | 18,242 |
| Deferred inflows from pensions | (1,495) | (2,390) | - | (3,885) |
| Deferred inflows from OPEB | (989) | (1,612) | - | (2,601) |
| Net cash provided (used) by operating activities | \$ 371,740 | \$ 137,652 | \$ 18,398 | \$ 527,790 |

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|---------------|
| Utility 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, 2021

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, 2021

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, 2021

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, 2021 are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|---------------------|
| Statement of Net Position: | |
| Governmental activities | \$ 1,507,053 |
| Business-type activities | 1,027,020 |
| | \$ 2,534,073 |
| Consisting of: | |
| Deposits with financial institutions | \$ 2,529,678 |
| Local Agency Investment Fund (LAIF) | 3,979 |
| Cash on hand | 416 |
| | \$ 2,534,073 |

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, 2021

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>\$ 3,979</u> | <u>\$ 3,979</u> | 291-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 \$1,701,479, 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, 2021

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, 2021:

| | |
|---------------------------------------|--------------|
| Community development loan programs | \$ 1,240,127 |
| Economic development loan programs | 310,197 |
| | 1,550,324 |
| Less: allowance for doubtful accounts | (114,000) |
| Loans receivable, net | \$ 1,436,324 |

NOTE 5. INTERFUND BALANCES AND TRANSFERS

The following is a summary of the interfund receivables and payables at June 30, 2021:

| | Due from Other Funds | Due to Other Funds | Net Due to/from Other Funds |
|--|-------------------------|-----------------------|-----------------------------------|
| Governmental Activities | | | |
| General Fund | \$ 725,872 | \$ - | \$ 725,872 |
| Total Governmental Activities | 725,872 | - | 725,872 |
| Business-Type Activities | | | |
| Water Fund | - | 697,791 | (697,791) |
| Sewer Fund | - | 28,081 | (28,081) |
| Total Business Type Activities | - | 725,872 | (725,872) |
| Total Government Wide Statement | \$ 725,872 | \$ 725,872 | \$ - |

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 fully repaid during the next fiscal year since the City has developed plans to repay the amount due on an annual basis.

The following is a summary of operating transfers in / out for the year ended June 30, 2021:

| | Transfers In | Transfers Out | Transfers |
|--|-----------------|-----------------|-------------|
| Governmental Activities | | | |
| General Fund | \$ 6,451 | \$ - | \$ 6,451 |
| Community/Economic Development Block Grant Fund | - | 6,451 | \$ (6,451) |
| Total Governmental Activities | 6,451 | 6,451 | - |
| Total Government Wide Statement | \$ 6,451 | \$ 6,451 | \$ - |

The transfer was to move interest earned on loan receivables to the General Fund.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

| Beginning balance has been restated See Note 13 | Beginning Balance | Additions and Transfers In | Retirements and Transfers Out | Ending Balance |
|--|------------------------------|---------------------------------------|--|---------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 6,498,827 | \$ - | \$ - | \$ 6,498,827 |
| Intangible assets | 32,034 | - | - | 32,034 |
| Construction in progress | 211,771 | 802,025 | (9,888) | 1,003,908 |
| Total nondepreciable capital assets | 6,742,632 | 802,025 | (9,888) | 7,534,769 |
| Depreciable capital assets | | | | |
| Infrastructure | 10,184,372 | 125,399 | 9,888 | 10,319,659 |
| Buildings | 2,448,357 | - | - | 2,448,357 |
| Machinery and equipment | 4,348,483 | 31,097 | - | 4,379,580 |
| Total depreciable capital assets | 16,981,212 | 156,496 | 9,888 | 17,147,596 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 3,589,509 | 205,022 | - | 3,794,531 |
| Buildings | 1,444,925 | 47,019 | - | 1,491,944 |
| Machinery and equipment | 2,968,142 | 199,676 | - | 3,167,818 |
| Total accumulated depreciation | 8,002,576 | 451,717 | - | 8,454,293 |
| Depreciable capital assets, net | 8,978,636 | (295,221) | 9,888 | 8,693,303 |
| Subtotal, governmental capital assets, net | 15,721,268 | 506,804 | - | 16,228,072 |
| Business-type activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | 4,191,789 | - | - | 4,191,789 |
| Intangible assets | - | 2,209,438 | - | 2,209,438 |
| Construction in progress | 6,362,134 | 527,171 | (6,025,496) | 863,809 |
| Total nondepreciable capital assets | 10,553,923 | 2,736,609 | (6,025,496) | 7,265,036 |
| Depreciable capital assets | | | | |
| Infrastructure | 15,928,080 | - | 6,025,496 | 21,953,576 |
| Buildings | 301,374 | - | - | 301,374 |
| Machinery and equipment | 1,220,609 | 55,635 | - | 1,276,244 |
| Total depreciable capital assets | 17,450,063 | 55,635 | 6,025,496 | 23,531,194 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 5,695,195 | 380,305 | - | 6,075,500 |
| Buildings | 279,044 | 2,750 | - | 281,794 |
| Machinery and equipment | 433,400 | 81,394 | - | 514,794 |
| Total accumulated depreciation | 6,407,639 | 464,449 | - | 6,872,088 |
| Depreciable capital assets, net | 11,042,424 | (408,814) | 6,025,496 | 16,659,106 |
| Subtotal, business-type capital assets, net | 21,596,347 | 2,327,795 | - | 23,924,142 |
| Total, government-wide capital assets | \$37,317,615 | \$ 2,834,599 | \$ - | \$40,152,214 |

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 6. CAPITAL ASSETS (continued)

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

| | |
|--|-------------------|
| Governmental activities | |
| General government | \$ 91,537 |
| Public safety | 123,088 |
| Streets and roads | 221,857 |
| Community and economic development | 15,235 |
| Total depreciation expense - governmental activities | \$ 451,717 |
| Business-type activities: | |
| Water fund | \$ 228,944 |
| Sewer fund | 235,505 |
| Total depreciation expense - business-type activities | \$ 464,449 |

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, 2021

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

| | June 30, 2020 As Restated | Additions | Reductions | June 30, 2021 | Due within one year |
|---------------------------------------|---------------------------------|---------------------|-------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 139,003 | \$ 23,412 | \$ - | \$ 162,415 | \$ 38,932 |
| Interest payable | - | 9,249 | - | 9,249 | 9,249 |
| Capital lease obligations | 397,004 | - | 44,655 | 352,349 | 45,992 |
| Total governmental activities | \$ 536,007 | \$ 32,661 | \$ 44,655 | \$ 524,013 | \$ 94,173 |
| Business-type activities: | | | | | |
| Compensated absences | \$ 50,770 | \$ 8,878 | \$ - | \$ 59,648 | \$ 22,268 |
| Total business-type activities | \$ 50,770 | \$ 8,878 | \$ - | \$ 59,648 | \$ 22,268 |
| Governmental activities: | | | | | |
| Notes from direct borrowings | \$ 779,377 | \$ - | \$ 30,575 | \$ 748,802 | \$ 40,520 |
| Total governmental activities | \$ 779,377 | \$ - | \$ 30,575 | \$ 748,802 | \$ 40,520 |
| Business-type activities: | | | | | |
| Notes from direct borrowings | \$ 733,123 | \$ 1,207,000 | \$ 128,760 | \$ 1,811,363 | \$ 138,115 |
| Total business-type activities | \$ 733,123 | \$ 1,207,000 | \$ 128,760 | \$ 1,811,363 | \$ 138,115 |

The City's outstanding debt from capital lease obligations relating to governmental activities of \$352,349 is comprised of the following capital lease and contains the following provisions:

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. Interest payable through June 30, 2021 has been accrued. 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 \$748,802 was from the California Energy Commission for assistance with purchasing and installing the governmental portion of the 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. 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 City's outstanding debt from direct borrowings relating to business-type activities of \$1,811,363 was from the following borrowings:

1) California Energy Commission in the amount of \$704,363 for assistance with purchasing and installing the business-type activity (Sewer Fund) portion of the renewable energy equipment asset and liability. The description of the loan, security and default provisions are the same as the governmental portion above. See Note 13 for disclosure of the prior period adjustment required to allocate the capital asset and corresponding debt to the Sewer Fund.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 8. LONG-TERM LIABILITIES (continued)

2) During the year, the City entered into a transaction with CG Roxane LLC to purchase certain rights to divert water located in Siskiyou County, California from Roseburg Forest Products Co. ("Water Rights"). The purchase price of \$2,207,000 consisted of a cash purchase price of \$1,207,000 payable in a down payment at closing of \$100,000 and in annual installments of \$100,000 at zero-percent interest beginning one-year from closing and continuing until the balance of the purchase price is paid in full. This is estimated to be March 2032. The purchase price also consisted of a non-monetary donation of \$1,000,000 paid to Roseburg Forest Products. The note and purchase agreement contains no provisions regarding collateral, security or default.

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, 2021, the entire line of credit balance was unused.

Debt service requirements on long-term debt at June 30, 2021, are as follows:

| Governmental Activities | | | | | |
|----------------------------------|------------------|---------|-----------------|--------|--|
| Capital Lease Obligations | | | | | |
| Year Ended June 30, | Principal | | Interest | | |
| 2022 | \$ | 45,992 | \$ | 10,549 | |
| 2023 | | 47,369 | | 9,172 | |
| 2024 | | 48,787 | | 7,754 | |
| 2025 | | 50,248 | | 6,293 | |
| 2026 | | 51,752 | | 4,789 | |
| 2027-2031 | | 108,201 | | 4,884 | |
| | \$ | 352,349 | \$ | 43,441 | |

| Notes from Direct Borrowings | | | | | |
|-------------------------------------|------------------|-----------------|---------------------------------|-----------------|--|
| Governmental Activities | | | Business-type Activities | | |
| Year Ended June 30, | Principal | Interest | Principal | Interest | |
| 2022 | \$ 40,520 | \$ 7,490 | \$ 138,115 | \$ 7,046 | |
| 2023 | 40,932 | 7,078 | 138,503 | 6,658 | |
| 2024 | 41,330 | 6,680 | 138,877 | 6,284 | |
| 2025 | 41,768 | 6,242 | 139,289 | 5,872 | |
| 2026 | 42,192 | 5,818 | 139,689 | 5,472 | |
| 2027-2031 | 217,469 | 22,580 | 704,564 | 21,240 | |
| 2032-2036 | 228,751 | 11,298 | 322,175 | 10,628 | |
| 2037-2041 | 95,840 | 1,226 | 90,151 | 1,153 | |
| | \$ 748,802 | \$ 68,412 | \$ 1,811,363 | \$ 64,353 | |

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

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, 2020, 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, 2020, actuarial valuation report for the CalPERS **Miscellaneous** and **Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS’ annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan**’s actuarially determined rate is the estimated amount necessary to pay the **Plan**’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2020 (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% | 6.750% |
| Employee (Effective) | 6.915% | 6.750% |
| Employer | 8.081% | 6.985% |
| Safety | | |
| Employee (Charged) | 7.000% | 10.000% |
| Employee (Effective) | 6.923% | 10.000% |
| Employer | 13.540% | 10.216% |

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 2019–2020 from the June 30, 2019, 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 |
| Post-retirement benefit increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 9. PENSION PLAN (continued)

All other actuarial assumptions used in the June 30, 2019, 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 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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 % | 5.98 % |
| 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 for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions, the **Plan's** fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 9. PENSION PLAN (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

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

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

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

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

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

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the Plan. The EARSL for PERF C for the June 30, 2020, measurement date is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 548,581 (the sum of remaining service lifetimes of all active employees) by 145,663 (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, 2020 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency Miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 9. PENSION PLAN (continued)

Allocation of Net Pension Liability and Pension Expense to Individual Plans

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

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

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

As of June 30, 2021, 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 | \$ 1,623,213 |
| Safety | 1,474,016 |
| Total Net Pension Liability | \$ 3,097,229 |

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2020 measurement date was as follows:

| | Miscellaneous | Safety | Total |
|-------------------------------------|----------------------|---------------|-----------------|
| Proportion - June 30, 2019 | 0.03655% | 0.02185% | 0.02760% |
| Proportion - June 30, 2020 | 0.03848% | 0.02212% | 0.02847% |
| Change - Increase/(Decrease) | 0.00193% | 0.00027% | 0.00087% |

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, 2021, the contributions recognized as part of pension expense for each **Plan** were as follows:

| Miscellaneous | Safety |
|----------------------|---------------|
| \$ 169,579 | \$ 172,319 |

For the year ended June 30, 2021, the City recognized pension expense of \$606,473.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 9. PENSION PLAN (continued)

At June 30, 2021, 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, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Change in assumptions | \$ - | \$ 16,488 |
| Differences between actual and expected experience | 197,950 | - |
| Difference between projected and actual earnings on pension plan investments | 80,257 | - |
| Differences between the employer's proportionate share of contributions | 2,707 | 164,559 |
| Change in employer's proportion | 118,910 | 544 |
| Pension contributions subsequent to measurement date | 362,578 | - |
| Total | \$ 762,402 | \$ 181,591 |

The \$362,578 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ending June 30:

| | |
|------------|----------|
| 2021 | \$42,678 |
| 2022 | 77,603 |
| 2023 | 58,772 |
| 2024 | 39,180 |
| 2025 | - |
| Thereafter | - |

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

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

| Plan's Net Pension Liability | Discount Rate -1% 6.15% | Current Discount Rate 7.15% | Discount Rate +1% 8.15% |
|-------------------------------------|------------------------------------|--|------------------------------------|
| Miscellaneous | \$2,606,181 | \$1,623,213 | \$811,018 |
| Safety | 2,285,452 | 1,474,016 | 808,157 |
| Total | \$4,891,633 | \$3,097,229 | \$1,619,175 |

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, 2021.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

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:

| Category | Count |
|---|--------------|
| Active employees: | 27 |
| Inactive employees, spouses, or beneficiaries currently receiving benefit payments: | 3 |
| Inactive employees entitled to but not yet receiving benefit payment: | 0 |
| Total | 30 |

Contributions:

The City pays benefits as they come due.

| | |
|---------------------------------|---|
| Contribution Rate: | Benefits due |
| Reporting period contributions: | \$15,824 (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, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| Measurement Date: | June 30, 2019 | June 30, 2020 |
|--------------------------------------|-------------------------|----------------------|
| Discount Rate | 3.13% | 2.45% |
| Inflation | 2.50% | 0.75% |
| Healthcare Cost Trend Rates * | | |
| Pre-Medicare | 7.00% | 7.00% |
| Medicare | 4.00% | 4.00% |
| Salary Increases | 2.75% | 2.75% ** |
| Mortality Rates | Based on CalPERS tables | |

* Trending down to 3.84% over 56 years. Applies to calendar years.

** Additional merit-based increases based on CalPERS merit salary increase tables.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

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

| <i>Changes in the Total OPEB Liability</i> | <u>Increases (Decreases)</u> <u>Total OPEB Liability</u> |
|--|---|
| Balance as of report date June 30, 2020 | \$ 657,381 |
| Changes for the year: | |
| Service cost | 69,259 |
| Interest | 22,496 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | (441) |
| Changes of assumptions | 14,610 |
| Benefit payments | (2,283) |
| Implicit rate subsidy fulfilled | (13,541) |
| Administrative expenses | - |
| Net changes | <u>90,100</u> |
| Balance as of report date June 30, 2021 | <u>\$ 747,481</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 (1.45%) or one percentage point higher (3.45%) follows:

| | <u>1% Decrease</u> <u>1.45%</u> | <u>Discount Rate</u> <u>2.45%</u> | <u>1% Increase</u> <u>3.45%</u> |
|-------------------------------------|--|--|--|
| Total OPEB liability (asset) | \$ 859,700 | \$ 747,481 | \$ 655,267 |
| Increase (decrease) | 112,219 | | (92,214) |
| % Change | 15.0% | | -12.3% |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend for this valuation started at 6.50% and decreased to 3.84% over 55 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 (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates follows:

| | <u>1% Decrease</u> <u>5.50%</u> | <u>Trend Rate</u> <u>6.50%</u> | <u>1% Increase</u> <u>7.50%</u> |
|-------------------------------------|--|---|--|
| Total OPEB liability (asset) | \$ 711,799 | \$ 747,481 | \$ 789,439 |
| Increase (decrease) | (35,682) | | 41,958 |
| % Change | -4.8% | | 5.6% |

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

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, 2021, the City recognized an OPEB expense of \$67,738. 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 | \$ - | \$ 241,650 |
| Changes of assumptions | 64,203 | 550 |
| City contributions subsequent to the measurement date | 20,932 | - |
| Total | \$ 85,135 | \$ 242,200 |

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> |
|---|----------------------|
| 2022 | \$ 24,017 |
| 2023 | 24,017 |
| 2024 | 24,017 |
| 2025 | 24,017 |
| 2026 | 24,017 |
| Remaining | 57,912 |

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 \$322,653 consisting of noncurrent receivables, Restricted Fund Balance of \$7,576 restricted for fund purposes of public safety and parks maintenance, and an Unassigned Fund Balance of \$601,048 at June 30, 2021.

Other Major Funds

The Community Development Project Income Fund has Non-spendable Fund Balance of \$1,113,671 consisting of noncurrent receivables and an Unassigned Fund Balance of \$324,369 at June 30, 2021.

The Boles Fire Fund has a Restricted Fund Balance of \$260,656 restricted for on-going mitigation efforts at June 30, 2021.

Other Funds

Other governmental (non-major) funds have Restricted Fund Balance of \$491,978 restricted for fund purposes of streets and roads improvements and an Assigned Fund Balance of \$125,684 for special projects at June 30, 2021.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 12. CONTINGENCIES and COMMITMENTS

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

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.

At June 30, 2021, the City had an open construction contract for the Vista Drive Rehabilitation Project for \$5,284,222, which is being entirely funded by existing grant agreements.

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 the allocation of the solar equipment purchase and installation to the General Fund | \$ 7,494 |
| 2. Prior period adjustment to correct the FY19-20 overstatement of SCTID revenue in the General Fund | (21,076) |
| Net impact on the Fund Balance: (Decrease) | <u>\$ (13,582)</u> |

IMPACT ON:

GOVERNMENTAL ACTIVITIES

Net Position - July 1, 2020 - as previously reported \$ 13,832,093

Prior Period Adjustments:

| | |
|---|----------------------|
| 1. Prior period adjustment for correcting the allocation of the solar equipment purchase and installation to the General Fund | (733,120) |
| 2. Prior period adjustment to correct the FY19-20 overstatement of SCTID revenue in the General Fund | (21,076) |
| 3. Prior period adjustment for correcting the allocation of the solar equipment depreciation to the General Fund | 37,030 |
| 4. Prior period adjustment for correcting the allocation of the solar equipment long-term debt to the General Fund | 733,123 |
| 5. Prior period adjustment for correcting the expensing of capitalized engineering costs on the No. Davis St. Rehab project | 9,888 |
| Net impact on the Net Position: Increase | <u>25,845</u> |

Net Position - July 1, 2020 - as restated **\$ 13,857,938**

BUSINESS-TYPE ACTIVITIES

Sewer Fund

Net Position - July 1, 2020 - as previously reported \$ 13,039,228

Prior Period Adjustments:

| | |
|--------------------------------------|-----------|
| 1. from above - effect on Sewer Fund | 733,120 |
| 3. from above - effect on Sewer Fund | (37,030) |
| 4. from above - effect on Sewer Fund | (733,123) |

Net impact on the Net Position: (Decrease) **(37,033)**

Net Position - July 1, 2020 - as restated **\$ 13,002,195**

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2021

NOTE 14. EXTRAORDINARY ITEMS

COVID-19 REVENUES

Due to the unprecedented response to the coronavirus pandemic by the Federal Government, the City received State of California pass-through funding from the following Federal programs to assist the City in its response to the impacts of the pandemic restrictions and lockdowns:

1) To assist in fiscal recovery and response to the pandemic, the America Rescue Plan Act, signed into law March 11, 2021, established the Coronavirus State and Local Fiscal Recovery Funds. Funding from this program is subject to the requirements specified in the Final Rule released by the U.S. Department of Treasury on January 6, 2022. The Final Rule allows the City to use these funds entirely for fiscal recovery due to the pandemic. During the year ended June 30, 2021, the City' General Fund received benefits from the Coronavirus State and Local Fiscal Recovery Funds in the amount of \$325,939. It is anticipated that the City will receive the same amount in the year ended, June 30, 2022.

2) The CARES Act, signed into law March 27, 2020, provided economic relief to workers through the payment of additional unemployment benefits, in addition to the State benefits normally used to pay unemployment claims. Due to the pandemic restrictions, the City was forced to reduce the amount that City employees worked and this resulted in unprecedented claims against the City's State unemployment insurance fund. During the year ended June 30, 2021, the City received total benefits from the CARES Act program in the amount of \$41,060 (\$39,998 received in the General Fund and \$1,062 in the Sewer Fund) to reimburse a portion of these claims.

NON-MONETARY DONATION

As mentioned in Note 8 on page 26 of the notes to the financial statements, the City entered into a transaction to purchase the water rights from CG Roxane LLC for a total sum of \$2,207,000, which would be paid by a promissory note for \$1,207,000 and a donation from Roseburg Forest Products Co. for \$1,000,000. This non-monetary donation has been recorded in the Water Fund as revenue and an increase in the intangible asset.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF WEED
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual Amounts | Favorable (Unfavorable) Variance With Final Budget |
|---------------------------------------|--------------------|-----------------|-------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 671,800 | \$ 693,110 | \$ 692,758 | \$ (352) |
| Sales and use taxes | 1,289,900 | 1,671,257 | 1,846,242 | 174,985 |
| Transient occupancy taxes | 264,000 | 308,881 | 407,206 | 98,325 |
| Franchise and other taxes | 131,090 | 186,116 | 166,377 | (19,739) |
| Licenses and permits | 11,000 | 10,055 | 14,673 | 4,618 |
| Fines, forfeitures and penalties | 20,000 | 5,750 | 6,385 | 635 |
| Intergovernmental revenues | 888,183 | 478,139 | 962,248 | 484,109 |
| Charges for services | 169,100 | 130,396 | 171,992 | 41,596 |
| Use of money and property | 44,108 | 27,333 | 7,157 | (20,176) |
| Other | 362,500 | 62,185 | 78,861 | 16,676 |
| Total revenues | 3,851,681 | 3,573,222 | 4,353,899 | 780,677 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,293,429 | 1,162,809 | 607,775 | 555,034 |
| Police protection | 1,407,070 | 1,487,763 | 1,467,370 | 20,393 |
| Fire protection | 374,408 | 439,308 | 378,658 | 60,650 |
| Streets and roads | 419,525 | 330,537 | 324,622 | 5,915 |
| Buildings and grounds | 62,637 | 51,588 | 44,606 | 6,982 |
| Community and economic development | 89,000 | 52,376 | 51,471 | 905 |
| Library | 37,255 | 33,605 | 33,765 | (160) |
| Capital outlay | 614,183 | 273,703 | 958,521 | (684,818) |
| Bad debt (recovery) | - | - | (1,000) | 1,000 |
| Debt service: | | | | |
| Principal | 108,320 | 116,908 | 75,230 | 41,678 |
| Interest | 1,300 | 34,032 | 28,150 | 5,882 |
| Total expenditures | 4,407,127 | 3,982,629 | 3,969,168 | 13,461 |
| Excess of revenues over expenditures | (555,446) | (409,407) | 384,731 | 794,138 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 45 | 45 |
| Operating transfers in (out) | - | 645,441 | 6,451 | (638,990) |
| Total other financing sources | - | 645,441 | 6,496 | (638,945) |
| EXTRAORDINARY ITEM | | | | |
| Covid-19 fiscal recovery funds | - | 50,000 | 365,937 | 315,937 |
| Net change in fund balance | (555,446) | 286,034 | 757,164 | 471,130 |
| FUND BALANCES | | | | |
| Beginning of year | 187,695 | 187,695 | 187,695 | - |
| Prior period adjustment | (13,582) | (13,582) | (13,582) | - |
| Beginning of year, as restated | 174,113 | 174,113 | 174,113 | - |
| End of year | \$ (381,333) | \$ 460,147 | \$ 931,277 | \$ 471,130 |

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, 2021

| | Original Budget | Final Budget | Actual Amounts | Favorable (Unfavorable) Variance With Final Budget |
|--|--------------------|-----------------|-------------------|---|
| <u>REVENUES</u> | | | | |
| Use of money and property | \$ 51,593 | \$ 126,000 | \$ 22,646 | \$ (103,354) |
| Other | 51,593 | 120 | 110 | (10) |
| Total revenues | 103,186 | 126,120 | 22,756 | (103,364) |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Community and economic development | 65,000 | 7,000 | 5,346 | 1,654 |
| Bad debt (recovery) | - | (139,066) | (143,066) | 4,000 |
| Total expenditures | 65,000 | (132,066) | (137,720) | 5,654 |
| Excess of revenues over expenditures | 38,186 | 258,186 | 160,476 | (109,018) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating transfers in (out) | - | - | (6,451) | (6,451) |
| Net change in fund balance | 38,186 | 258,186 | 154,025 | (115,469) |
| <u>FUND BALANCES</u> | | | | |
| Beginning of year | 1,284,015 | 1,284,015 | 1,284,015 | - |
| End of year | \$ 1,322,201 | \$ 1,542,201 | \$ 1,438,040 | \$ (115,469) |

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

CITY OF WEED
Budgetary Comparison Schedule
Boles Fire Fund
For The Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual Amounts | Favorable (Unfavorable) Variance With Final Budget |
|-----------------------------|--------------------|-----------------|-------------------|---|
| <u>REVENUES</u> | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| Other | 118,669 | 28,339 | - | (28,339) |
| Total revenues | 118,669 | 28,339 | - | (28,339) |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Fire protection | - | 161 | 161 | - |
| Total expenditures | - | 161 | 161 | - |
| Net change in fund balance | 118,669 | 28,178 | (161) | (28,339) |
| <u>FUND BALANCES</u> | | | | |
| Beginning of year | 260,817 | 260,817 | 260,817 | - |
| End of year | \$ 379,486 | \$ 288,995 | \$ 260,656 | \$ (28,339) |

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

CITY OF WEED
Cost Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2021
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 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.03064% | 0.02368% | 0.02617% | 0.02643% | 0.02690% | 0.02760% | 0.02847% |
| 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 | \$ 3,097,230 |
| City's covered-employee payroll | \$ 1,255,475 | \$ 1,261,505 | \$ 1,409,735 | \$ 1,449,234 | \$ 1,597,742 | \$ 1,745,940 | \$ 1,841,254 |
| 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% | 168.21% |
| 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% | 23.18% |
| City's proportionate share fo aggregate employer contributions ^{2,3} | \$ 226,977 | \$ 298,948 | \$ 301,035 | \$ 319,540 | \$ 352,985 | \$ 408,108 | \$ 490,481 |

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, 2021
Last 10 Years

Schedule of the City's Contributions
Combined Plans

| Measurement Year Ending June 30: ¹ | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution ² | \$ 155,089 | \$ 152,981 | \$ 203,195 | \$ 233,055 | \$ 273,500 | \$ 332,877 | \$ 341,897 |
| Contributions in relation to the actuarially determined contributions | 155,089 | 152,981 | 203,195 | 233,055 | 273,500 | 332,877 | 341,897 |
| 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 | \$ 1,841,254 |
| Contributions as a percentage of covered-employee payroll | 12.35% | 12.13% | 14.41% | 16.08% | 17.12% | 19.07% | 18.57% |

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.

CITY OF WEED
Single-Employer Defined Benefit Post-employment Healthcare Plan
June 30, 2021
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 | June 30, 2020 June 30, 2021 |
|--|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <u>Total OPEB Liability</u> | | | | | |
| Service cost | \$ | 57,453 | \$ 59,105 | \$ 60,006 | \$ 69,259 |
| Interest | | 26,690 | 29,005 | 31,788 | 22,496 |
| Changes in benefit terms | | - | - | - | - |
| Differences between expected and actual experience | | - | (1,356) | (304,506) | (441) |
| Changes of assumptions | | - | (868) | 64,767 | 14,610 |
| Benefit payments | | (1,280) | (1,585) | (1,545) | (2,283) |
| Implicit rate subsidy fulfilled | | (19,736) | (19,546) | (24,075) | (13,541) |
| Net change in Total OPEB obligation | | 63,127 | 64,755 | (173,565) | 90,100 |
| Total/Net OPEB Obligation - Beginning of Year | | 702,512 | 766,191 | 830,946 | 657,381 |
| Total OPEB Liability - End of Year | | \$ 765,639 | \$ 830,946 | \$ 657,381 | \$ 747,481 |
| Covered-Employee Payroll | \$ | 1,402,379 | \$ 1,440,944 | \$ 1,491,098 | \$ 1,532,103 |
| City's Total OPEB Liability as a Percentage of Covered-Employee Payroll ⁴ | | 54.60% | 57.67% | 44.09% | 48.79% |

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.

SUPPLEMENTARY INFORMATION

CITY OF WEED
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

| | 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 | \$ 6,681 | \$ 168,075 | \$ 51,791 | \$ 186,456 | \$ 105,152 | \$ 29,278 | \$ 9,945 | \$ 557,378 |
| Receivables (net of allowance for doubtful accounts): | | | | | | | | |
| Intergovernmental | - | 10,024 | 29,892 | - | 23,925 | - | - | 63,841 |
| Total assets | <u>\$ 6,681</u> | <u>\$ 178,099</u> | <u>\$ 81,683</u> | <u>\$ 186,456</u> | <u>\$ 129,077</u> | <u>\$ 29,278</u> | <u>\$ 9,945</u> | <u>\$ 621,219</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 164 | \$ 3,389 | \$ - | \$ - | \$ 3,553 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>164</u> | <u>3,393</u> | <u>-</u> | <u>-</u> | <u>3,557</u> |
| Fund balances: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Streets and roads | 6,681 | 178,099 | 81,683 | 186,292 | - | 29,278 | 9,945 | 491,978 |
| Assigned for: | | | | | | | | |
| Special projects | - | - | - | - | 125,684 | - | - | 125,684 |
| Total fund balance | <u>6,681</u> | <u>178,099</u> | <u>81,683</u> | <u>186,292</u> | <u>125,684</u> | <u>29,278</u> | <u>9,945</u> | <u>617,662</u> |
| Total liabilities and fund balance | <u>\$ 6,681</u> | <u>\$ 178,099</u> | <u>\$ 81,683</u> | <u>\$ 186,456</u> | <u>\$ 129,077</u> | <u>\$ 29,278</u> | <u>\$ 9,945</u> | <u>\$ 621,219</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, 2021

| | 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 | \$ - | \$ 55,004 | \$ 99,285 | \$ 131,772 | \$ - | \$ - | \$ - | \$ 286,061 |
| Transient occupancy taxes | - | - | - | - | 93,985 | - | - | 93,985 |
| Use of money and property | - | (88) | - | - | - | - | - | (88) |
| Total revenues | - | 54,916 | 99,285 | 131,772 | 93,985 | - | - | 379,958 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Community and economic development | - | - | - | - | 52,632 | - | - | 52,632 |
| Public transportation | - | - | 69,393 | - | - | - | - | 69,393 |
| Total expenditures | - | - | 69,393 | 74,725 | 52,632 | - | - | 196,750 |
| Net change in fund balances | - | 54,916 | 29,892 | 57,047 | 41,353 | - | - | 183,208 |
| FUND BALANCE | | | | | | | | |
| Beginning of year | 6,681 | 123,183 | 51,791 | 129,245 | 84,331 | 29,278 | 9,945 | 434,454 |
| End of year | \$ 6,681 | \$ 178,099 | \$ 81,683 | \$ 186,292 | \$ 125,684 | \$ 29,278 | \$ 9,945 | \$ 617,662 |

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

SINGLE AUDIT AND OTHER SCHEDULES AND REPORTS

**INDEPENDENT AUDITOR'S 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, 2021, 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 April 12, 2022.

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, as described in the accompanying schedule of findings and questioned costs, that I consider to be material weaknesses (**Finding 2021-001 and 2021-002**) and a significant deficiency (**Finding 2021-003**) .

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 2021-002**).

INDEPENDENT AUDITOR'S REPORT (Continued)

City of Weed, California's Response to Findings

The City of Weed, California's response to the findings 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

April 12, 2022

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

To the City Council
City of Weed, California

Report on Compliance for Each Major Federal Program

I have audited the City of Weed, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Weed, California's major federal programs for the year ended June 30, 2021. The City of Weed, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, the City of Weed, California's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The City of Weed, California's response to the noncompliance findings 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 compliance and accordingly, I express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Internal Control over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, I identified certain in internal control over compliance that I consider a material weakness and significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs (**Finding 2021-004**), that I consider a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs (**Finding 2021-005**) to be a significant deficiency.

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

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

Charles W. Pilon, CPA
Anderson, California

April 12, 2022

CITY OF WEED
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Passed-through to Subrecipient \$</i> | <i>Federal Expenditures(\$)</i> |
|---|-----------------------------------|---|---|--|
| <i>Economic Development Cluster-Cluster</i> | | | | |
| <i>Department of Commerce</i> | | | | |
| Investments for Public Works and Economic Development Facilities | | | | |
| Investments for Public Works and Economic Development Facilities | 11.300 | | \$ | 641,620 |
| Total Investments for Public Works and Economic Development Facilities | | | - | 641,620 |
| <i>Total Department of Commerce</i> | | | | 641,620 |
| <i>Total Economic Development Cluster-Cluster</i> | | | | 641,620 |
| <i>Other Programs</i> | | | | |
| <i>Department of Housing and Urban Development</i> | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | State of California Department of Housing and Community Development PI Waiver 03K | - | 110,000 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | State of California Department of Housing and Community Development 21-CDBG-PI-00004 | 1,167 | 1,167 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | State of California Department of Housing and Community Development 20-CDBG-12053 | 534 | 534 |
| Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | 111,701 |
| <i>Total Department of Housing and Urban Development</i> | | | | 111,701 |
| <i>Department of the Treasury</i> | | | | |
| Coronavirus Relief Fund | | State of California Employment Development Department | - | 41,060 |
| Total Coronavirus Relief Fund | 21.019 | | | 41,060 |
| Coronavirus State and Local Fiscal Recovery Funds | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | State of California | - | 325,939 |
| Total Coronavirus State and Local Fiscal Recovery Funds | | | | 325,939 |
| <i>Total Department of the Treasury</i> | | | | 366,999 |
| <i>Total Other Programs</i> | | | | 478,700 |
| <i>Total Expenditures of Federal Awards</i> | | | \$ | 1,701 |
| | | | \$ | 1,120,320 |

The accompanying notes are an integral part of this schedule

Notes:

The Schedule of Expenditures of Federal Awards is prepared using the full accrual basis of accounting.

The City of Weed expended no federal non-cash assistance during the year, had no federal insurance in effect during the year, and had no outstanding federal loans or loan guarantees during the year.

The City has claimed no indirect costs as part of the Federal expenditures and has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

Pass-through entity identifying numbers presented where available.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The Independent Auditor's Report expressed an unmodified opinion on whether the financial statements of the City of Weed (City), were prepared in accordance with GAAP.
2. Material weaknesses and significant deficiencies relating to the audit of the financial statements is reported in the Independent Auditor's 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. Material noncompliance is reported in the Independent Auditor's 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*.

Federal Awards

1. The Independent Auditor's Report on compliance over major Federal award programs expressed an unmodified opinion on all major Federal award programs.
2. Material weaknesses were identified in internal control over compliance for the major Federal award program reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*.
3. Material noncompliance relating to the major Federal program is reported as an audit finding.
4. Identification of the major Federal program:
 - **CFDA No. 11.300, Department of Commerce, Investments for Public Works and Economic Development Facilities**
5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
6. The City did not qualify as a low-risk auditee under **2 CFR section 200.520**.

Findings - Financial Statement Audit

2021-001 Material Weakness

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

Condition: At the commencement of the annual audit, while preparing the City's annual Financial Transactions Report for the State Controller, I identified several accounts that possibly contained material misstatements and the City's Finance Director submitted seventeen (17) "client" adjustments to correct the trial balance given to me. Also as part of my audit, I identified an additional thirty-one (31) misstatements that the Finance Director agreed to post 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), and for the schedule of expenditures of federal awards (SEFA) to be prepared in accordance with the *Uniform Guidance*. In addition, the City relied on the external auditor to ensure its financial statements are in accordance with GAAP, the SEFA are in accordance with the *Uniform Guidance*, and to ensure that all necessary disclosures are included in the notes to the financial statements and the notes to the SEFA.

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, or the SEFA in the case of a Single Audit, and are prohibited from auditing their own work, which could impair independence. All City financial documents should be final and reconciled before the audit begins. All adjustments necessary for the financial statements to be prepared in accordance and/or conformity with GAAP, and for the SEFA to be prepared in accordance with the *Uniform Guidance*, should be identified and posted by the City.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-001 (Continued)

Cause: The Finance Director did not identify and post numerous material closing entries for the year under audit. These adjustments were not identified by the Finance Director because of ineffective internal controls over the financial close process. The material weakness in reporting is because the Finance Director does not possess an adequate knowledge of GAAP relating to “preparing” the financial statements and related notes and the *Uniform Guidance* relating to “preparing” the SEFA and related notes.

Effect: Financial statements, which are not in conformity with GAAP and contained material misstatements, could have been prepared and distributed. Interim reporting to City Council and interested third parties could contain material misstatements leading to inaccurate decisions impacting the City. The SEFA contained material misstatements. **There are no questioned costs related to this finding.**

Context: This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018, 2019 and 2020, and is considered pervasive.

Recommendation: I recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in accordance with GAAP be identified and posted prior to the start of the audit. The City should ensure that the new Finance Director receives adequate and certified training, as it does with other City personnel, in order to develop the appropriate knowledge and expertise in GAAP, *Uniform Guidance* and the area of “financial statement close and reporting”, especially related to governmental fund accounting. The City should ensure that the Finance Director has ample time and resources to adequately perform the year-end financial close and reporting process to ensure the City’s financial statements are not materially misstated. Lastly, 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, assist with preparing the GAAP financial statements at year-end or as needed, and with preparing the SEFA when required.

Views of Responsible Officials: The City agrees with the finding.

2021-002 Material Weakness and Material Noncompliance

Grant Management and Reporting

Condition: The City does maintain an appropriate financial (“accounting”) system that is compliant with GAAP, including maintaining grant project accounts for tracking costs, however, the City failed to adequately support and reconcile the requests for grant funds and semi-annual reporting of project costs-to-date with the accounting records. Requests for reimbursement and semi-annual reporting is being reviewed by financial management, but there is no evidence that a reconciliation to the accounting system (i.e. general ledger) was performed, which resulted in material misstatements in the requests and reporting. Lastly, the grant files continued to be very unorganized, which does not allow for easy review and reconciliation, and the City is in violation of its own internal Financial Policies.

Criteria: As a requirement for all grants received by the City, including Federal cost principles found in **2 CFR 200.302**, the City’s accounting system should reconcile directly, and easily, to the grant reports/funds requests submitted to the grantors, the grant reporting should be free of material misstatements, and the grant files should be appropriately organized.

Cause: There was no reconciliation of grant reporting (including funds requests) to the general ledger in the accounting system, which resulted in material misstatements. In addition, the grant files remain 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 required additional year-end audit accruals, and project cost reports were submitted to grantors with material misstatements. Material noncompliance with reporting occurred due to these misstatements and the lack of reconciliation to the accounting system. **There are no questioned costs related to this finding.**

Context: This is a repeat finding from the prior year audit and is considered pervasive resulting in the finding now being classified as a material weakness and material noncompliance.

**City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

2021-002 (Continued)

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

Views of Responsible Officials: The City agrees with the finding.

2021-003 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 has not had the time to work with the software vendor to rectify this situation. For the capital assets ledger, the City relies on the auditor to update.

Effect: Misstatements are occurring requiring audit adjustments to reconcile. This also increases my audit risk that material misstatements will not be found and corrected, thus issuing materially misstated financial statements and an incorrect audit opinion. **There are no questioned costs related to this finding.**

Context: This is a repeat finding from the prior year audit.

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: The City agrees with the finding.

Findings – Major Federal Award Program Audit

2021-004 Material Weakness and Material Noncompliance: Grant and Reporting Compliance

Department of Commerce - Investments for Public Works and Economic Development Facilities – CFDA No. 11.300 - Year ended June 30, 2021

Condition: The City failed to adequately support and reconcile the requests for grant funds (Form SF-271) and semi-annual reporting of project costs-to-date (Form SF-425) with the accounting records. Requests for reimbursement and semi-annual reporting is being reviewed by financial management, but there was no evidence that a reconciliation to the accounting system (i.e. general ledger) was performed, which resulted in material misstatements in the requests and reporting. Lastly, the grant files continued to be very unorganized, which does not allow for easy review and reconciliation, and the organization is in violation of the City’s internal Financial Policies, including Finance Policy 107 for procurement under a Federal award program that specifies grant documentation requirements.

Criteria: As a requirement of Federal cost principles found in **2 CFR 200.302**, as well as the grant agreement with the U.S. Department of Commerce Economic Development Administration (EDA), the City’s accounting system should reconcile directly, and easily, to the grant reports/funds requests submitted to the grantors, the grant reporting should be free of material misstatements, and the grant files should be appropriately organized.

Cause: There was no reconciliation of grant reporting (including funds requests) to the general ledger in the accounting system, which resulted in material misstatements. In addition, the grant files remain 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.

**City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

2021-004 (Continued)

Effect: Grant project costs reporting (SF-425) were submitted to EDA with material misstatements and funds requests (SF-271) were misstated resulting in unfunded project costs, which required additional year-end audit accruals. Material weakness in internal controls over compliance and material noncompliance with reporting occurred due to these misstatements and the lack of reconciliation to the accounting system. **There are no questioned costs related to this finding.**

Context: The audit examined 100% of the fund's requests (SF-271 #1 covering the period from 5/23/19 to 3/27/21; and #2 from 3/28/21 to 6/30/21), that affected the year-end June 30, 2021 audit. The total Federal share requested was \$795,410 but total project costs were \$806,097, for a difference of \$10,687 in unfunded Federal expenditures. The audit examined two (2) semi-annual reports (SF-425 for the periods ending 3/31/21 and 9/30/21) in order to examine an adequate population size of costs related to the project, since construction started in June 2021. Project costs-to-date reported on the period ending 3/31/21 report were \$79,915 under-reported for Federal expenditures and \$19,978 under-reported for the State share. Project costs-to-date reported on the period ending 9/30/21 report were \$3,749 over-reported for Federal expenditures and \$2,261 over-reported for the State share. This is not a repeat finding.

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

Views of Responsible Officials: The City agrees with the finding.

2021-005 Noncompliance: Cost Principles

Department of Commerce - Investments for Public Works and Economic Development Facilities – CFDA No. 11.300 - Year ended June 30, 2021

Condition: The City's written policies and procedures for compliance over Federal award programs is not complete. The City only has written policies related to procurement suspension and debarment.

Criteria: Under *Uniform Guidance* cost principles, all grantees who receive Federal funds must have "specific" written policies and procedures for compliance over Federal award programs for all 12 compliance requirements found in the *Uniform Guidance*, especially compliance requirements such as cash management, procurement, suspension and debarment, reporting, activities allowed and allowable costs, since these are the most direct and material to construction-type programs.

Cause: The City only has internal policies and procedures that comply with State laws and regulation.

Effect: Without effectively written and communicated policies and procedures the City will be in noncompliance in the operation of Federal programs and employees might not have the direction necessary to stay in compliance with all Federal compliance requirements when working on or managing Federal award programs.

Context: This is not a repeat finding. **There are no questioned costs related to this finding.**

Recommendation: The City should develop a complete set of "specific" written policies and procedures for compliance over Federal award programs and communicate them to the appropriate City personnel.

Views of responsible officials: The City agrees with the finding.

City of Weed, California
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Summary of Prior Audit Findings

2020-001 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.

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. 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. I also recommended that 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.

Current Status: As stated in **Finding 2021-001**, this recommendation has not been fully implemented in order to eliminate this finding.

2020-002 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.

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

Current Status: The City has successfully implemented the audit recommendations.

2020-003 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, which does not allow for easy review and reconciliation.

Recommendation: It was recommended 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.

Current Status: As stated in **Finding 2021-002**, the full successful implementation could not be completed until the fiscal year 2021-22 due to the timing of the completion of the prior year audit.

2020-004 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.

Recommendation: It was recommended the City 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.

Current Status: As stated in **Finding 2021-003**, the City has not been able to implement the recommendations due to the timing of the completion of the prior year audit and personnel turnover.



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City of Weed

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Corrective Action Plan

2021-001-Material Weakness

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

Corrective Action Plan: The City has already begun conversation to set up a contract with Aiello Goodrich & Teuscher, a local CPA firm to begin training. Training will commence in May of 2022.

Anticipated completion date: June 30, 2023 by Anna Guzman, Finance Director

2021-002 Material Weakness and Material Noncompliance

Grant Management and Reporting

Corrective Action Plan: The Finance Director will begin a monthly reconciliation of each grant to the general ledger beginning May of 2022. All supporting documentation will be documented and filed accordingly.

Anticipated completion date: August 31, 2022 by Anna Guzman, Finance Director

2021-003 Significant Deficiency

Subsidiary Ledgers

Corrective Action Plan: The Finance Director will work with the software vendor and auditor to rectify the situation. With the limitations set with the software, a possible work around will need to be implemented. The Finance Director will begin the process in June of 2022.

Anticipated completion date: August 31, 2022 by Anna Guzman, Finance Director.

2021-004 Material Weakness and Material Non-Compliance: Grant and Reporting Compliance

Department of Commerce-Investments for Public Works Economic Development Facilities-CFDA No. 11.300-Year Ended June 30, 2021

Corrective Action Plan: The Finance Director will begin a monthly reconciliation of each grant to the general ledger beginning May of 2022. All supporting documentation will be documented and filed accordingly. According to the City's procurement process, proper filing of grant related documents will be implemented.

Anticipated completion date: August 31, 2022 by Anna Guzman, Finance Director

2021-005 Noncompliance: Cost Principles

Department of Commerce-Investments for Public Works and Economic Development Facilities-CFDA No. 11.30-Year End June30, 2021

Corrective Action Plan: The City Clerk, Sandra Duchi, together with the City Manager, Tim Rundel, has begun the process of updating and developing our written policies and procedures for the City's Federal award programs.

Anticipated completion date: December 31, 2022 by the City Manager.