

CITY OF WEED, CALIFORNIA
BASIC FINANCIAL STATEMENTS
and
SINGLE AUDIT REPORTS

JUNE 30, 2022

City of Weed, California
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INDEPENDENT AUDITOR'S REPORT

To the City Council and City Manager, Tim Rundel
City of Weed, California

Report on the Audit of the Financial Statements

Opinion

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 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Weed, California's basic financial statements as listed in the table of contents.

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 City of Weed, California as of June 30, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Weed, California and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2022, the City of Weed adopted new accounting guidance, [GASB Statement No. 87, Leases](#). My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Weed, California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Weed, California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Weed, California's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* (not presented), 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 and 43, 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.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Weed, California's basic financial statements. The accompanying combining and individual nonmajor fund financial statements on pages 44-45 and schedule of expenditures of federal awards on page 51, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual nonmajor 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2023, 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.



Charles W. Pillon, CPA
Anderson, California

November 28, 2023

BASIC FINANCIAL STATEMENTS

CITY OF WEED
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 1,338,640	\$ 1,671,222	\$ 3,009,862
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	236,628	236,628
Loans	1,343,198	-	1,343,198
Intergovernmental	2,453,519	51,722	2,505,241
Interfund balances	725,872	(725,872)	-
Capital assets:			
Non-depreciable	6,785,320	7,427,874	14,213,194
Depreciable, net	16,298,256	16,160,276	32,458,532
Total Assets	28,944,805	24,821,850	53,766,655
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	684,785	112,373	797,158
Deferred outflows from OPEB	278,963	48,766	327,729
Total Deferred Outflows of Resources	963,748	161,139	1,124,887
LIABILITIES			
Accounts payable	1,004,901	83,134	1,088,035
Fund overdraft payable	574,513	-	574,513
Accrued liabilities	156,520	17,239	173,759
Due to other governments	52,446	23,380	75,826
Deposits	-	69,896	69,896
Unearned revenues	232,079	-	232,079
Long-term liabilities, due within one year:			
Notes payable	40,829	138,406	179,235
Capital lease obligations	47,369	-	47,369
Interest payable	8,041	-	8,041
Lease liabilities	9,185	-	9,185
Compensated absences	38,361	24,713	63,074
Due in more than one year:			
Notes payable	667,350	1,534,745	2,202,095
Capital lease obligations	258,988	-	258,988
Lease liabilities	16,378	-	16,378
Compensated absences	129,076	38,478	167,554
Net pension liability	1,335,986	219,234	1,555,220
Total OPEB liability	937,011	163,804	1,100,815
Total Liabilities	5,509,033	2,313,029	7,822,062
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	1,202,179	197,276	1,399,455
Deferred inflows from OPEB	178,604	31,223	209,827
Total Deferred Inflows of Resources	1,380,783	228,499	1,609,282
NET POSITION			
Net investment in capital assets	22,043,477	21,914,999	43,958,476
Restricted	766,801	-	766,801
Unrestricted	208,459	526,462	734,921
Total Net Position	\$ 23,018,737	\$ 22,441,461	\$ 45,460,198

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

CITY OF WEED
Statement of Activities
For The Year Ended June 30, 2022

	Program Revenues					Net (Expense) Revenues and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
						Business-Type Activities	Total	
Governmental Activities								
General government	\$ 684,803	\$ 53,795	\$ 5,596	\$ -	\$ (625,412)	\$ -	\$ -	\$ (625,412)
Public safety	1,877,122	349,256	169,960	-	(1,357,906)	-	-	(1,357,906)
Public works	667,073	-	274,421	6,584,086	6,191,434	-	-	6,191,434
Community and economic development	309,068	-	-	-	(309,068)	-	-	(309,068)
Interest expense	19,005	-	-	-	(19,005)	-	-	(19,005)
Total Governmental Activities	3,557,071	403,051	449,977	6,584,086	3,880,043	-	3,880,043	
Business-Type Activities								
Water	878,653	954,108	-	-	-	75,455	75,455	
Sewer	729,977	763,881	-	35,129	-	69,033	69,033	
Solid waste	651,988	693,946	-	-	-	41,958	41,958	
Total Business-Type Activities	2,260,618	2,411,935	-	35,129	-	186,446	186,446	
Total Primary Government	\$ 5,817,689	\$ 2,814,986	\$ 449,977	\$ 6,619,215	3,880,043	186,446	4,066,489	
General Revenues								
Taxes:								
Property taxes					717,344	-	-	717,344
Sales and use taxes					1,852,842	-	-	1,852,842
Transient occupancy taxes					544,945	-	-	544,945
Other taxes					250,278	-	-	250,278
Interest income					40,569	702	702	41,271
Gain on sale of capital assets					55,000	-	-	55,000
Other					197,415	29,698	29,698	227,113
Covid-19 relief funds					331,263	458	458	331,721
Transfers					(135,562)	135,562	135,562	-
Total General Revenues					3,854,094	166,420	166,420	4,020,514
Change in Net Position								
Net Position, Beginning, as Previously Reported					15,269,679	22,088,595	22,088,595	37,358,274
Prior period adjustment					14,921	-	-	14,921
Net Position, Beginning of Year, as Restated					15,284,600	22,088,595	22,088,595	37,373,195
Net Position, End of Year					\$ 23,018,737	\$ 22,441,461	\$ 22,441,461	\$ 45,460,198

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

CITY OF WEED
Balance Sheet
Governmental Funds
June 30, 2022

	Special Revenue Funds					Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds		
ASSETS						
Cash and investments	\$ 138,374	\$ 208,992	\$ 492,735	\$ 498,539	\$ 1,338,640	
Receivables (net of allowance for doubtful accounts):						
Loans	313,528	1,029,670	-	-	1,343,198	
Intergovernmental	2,338,368	-	-	115,151	2,453,519	
Due from other funds	725,872	-	-	-	725,872	
Total Assets	\$ 3,516,142	\$ 1,238,662	\$ 492,735	\$ 613,690	\$ 5,861,229	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	1,004,901	-	-	-	\$ 1,004,901	
Fund overdraft payable	574,513	-	-	-	574,513	
Accrued liabilities	194,363	-	-	518	194,881	
Due to other governments	52,446	-	-	-	52,446	
Accrued interest payable	8,041	-	-	-	8,041	
Unearned revenue	-	-	232,079	-	232,079	
Total Liabilities	1,834,264	-	232,079	518	2,066,861	
Fund balances:						
Nonspendable:						
Noncurrent receivables	313,528	1,029,670	-	-	1,343,198	
Total nonspendable	313,528	1,029,670	-	-	1,343,198	
Restricted for:						
Streets and roads	-	-	-	498,569	498,569	
Public safety	3,066	-	-	-	3,066	
Parks maintenance	4,510	-	-	-	4,510	
Boles fire	-	-	260,656	-	260,656	
Total restricted	7,576	-	260,656	498,569	766,801	
Assigned for:						
Special projects	-	-	-	114,603	114,603	
Unassigned	1,360,774	208,992	-	-	1,569,766	
Total Fund Balance	1,681,878	1,238,662	260,656	613,172	3,794,368	
Total Liabilities and Fund Balance	\$ 3,516,142	\$ 1,238,662	\$ 492,735	\$ 613,690	\$ 5,861,229	

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, 2022

Total Fund Balances Included in the Balance Sheet - Governmental Funds	\$ 3,794,368
Assets recorded within the Statement of Net Position not reported in the funds:	
Nondepreciable capital assets	6,785,320
Depreciable capital assets	24,955,159
Accumulated depreciation	<u>(8,656,903)</u>
	16,298,256
Deferred inflows (outflows) recorded within the statement of net position not reported in the funds:	
Deferred inflows of resources relating to pensions	(1,202,179)
Deferred inflows of resources relating to OPEB	(178,604)
Deferred outflows of resources relating to pensions	684,785
Deferred outflows of resources relating to OPEB	278,963
Liabilities recorded within the Statement of Net Position not reported in the funds:	
Compensated absences	(129,076)
Net pension liability	(1,335,986)
Total OPEB obligation	(937,011)
Long-term debt	<u>(1,040,099)</u>
Total Net Position of Governmental Activities	\$ 23,018,737

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, 2022

	Special Revenue Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 717,344	\$ -	\$ -	\$ -	\$ 717,344
Sales and use taxes	1,852,842	-	-	-	1,852,842
Transient occupancy taxes	436,414	-	-	108,531	544,945
Franchise and other taxes	250,278	-	-	-	250,278
Licenses and permits	11,341	-	-	-	11,341
Fines, forfeitures and penalties	7,851	-	-	-	7,851
Intergovernmental revenues	6,700,295	-	-	333,768	7,034,063
Fiscal recovery funds - Covid 19	325,939	-	-	-	325,939
CARES Act relief	5,324	-	-	-	5,324
Charges for services	383,859	-	-	-	383,859
Use of money and property	12,433	28,136	-	-	40,569
Other	142,291	124	-	55,000	197,415
Total Revenues	10,846,211	28,260	-	497,299	11,371,770
EXPENDITURES					
Current:	4,234,684				
City council	14,798	-	-	-	14,798
Finance and administration	521,588	-	-	-	521,588
City attorney	54,031	-	-	-	54,031
Planning	100,621	-	-	-	100,621
Police protection	1,364,650	-	-	-	1,364,650
Animal regulation & code enforcement	30	-	-	-	30
Fire protection	566,580	-	-	-	566,580
Public works - streets & roads	342,802	-	-	48,753	391,555
Public works - buildings & grounds	51,643	-	-	-	51,643
Community and economic development	134,555	1,273	-	59,333	195,161
Public transportation	-	-	-	72,035	72,035
Library	33,893	-	-	-	33,893
Bad debt expense (recovery)	(1,000)	(5,000)	-	-	(6,000)
Capital outlay	7,203,475	-	-	115,279	7,318,754
Debt service:					
Principal	94,820	-	-	-	94,820
Interest	19,005	-	-	-	19,005
Total Expenditures	10,501,491	(3,727)	-	295,400	10,793,164
Excess of Revenues Over (Under)					
Expenditures	344,720	31,987	-	201,899	578,606
OTHER FINANCING SOURCES (USES)					
Proceeds from debt financing	33,768	-	-	-	33,768
Proceeds from sale of capital assets	55,000	-	-	-	55,000
Operating transfers in (out)	317,113	(246,287)	-	(206,388)	(135,562)
Total Other Financing Sources and (Uses)	405,881	(246,287)	-	(206,388)	(46,794)
Change in Fund Balances	750,601	(214,300)	-	(4,489)	531,812
FUND BALANCE					
Beginning of Year, as Previously Reported	931,277	1,438,041	260,656	617,661	3,247,635
Prior period adjustments	-	14,921	-	-	14,921
Beginning of Year, Restated	931,277	1,452,962	260,656	617,661	3,262,556
End of Year	\$ 1,681,878	\$ 1,238,662	\$ 260,656	\$ 613,172	\$ 3,794,368

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, 2022

Total Change in Fund Balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ 531,812

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.

Prior year capital outlay adjustment	(502)
Capital outlay	7,318,754
Depreciation expense	<u>(462,746)</u>

6,855,506

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	94,820
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In governmental funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis.

356,319

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.

(64,957)

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	(5,595)
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Change in Net Position of Governmental Activities \$ 7,734,137

CITY OF WEED
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Cash and investments	\$ 472,267	\$ 985,321	\$ 213,634	\$ 1,671,222
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	131,958	44,180	60,490	236,628
Intergovernmental	10,626	41,096	-	51,722
Capital assets:				
Non-depreciable	3,323,623	4,104,251	-	7,427,874
Depreciable, net	6,905,203	9,255,073	-	16,160,276
Total capital assets, net	10,228,826	13,359,324	-	23,588,150
Total Assets	10,843,677	14,429,921	274,124	25,547,722
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	58,120	54,253	-	112,373
Deferred outflows from OPEB	27,401	21,365	-	48,766
Total Deferred Outflows of Resources	85,521	75,618	-	161,139
LIABILITIES				
Accounts payable	19,987	54,840	8,307	83,134
Accrued liabilities	9,641	7,598	-	17,239
Deposits	69,896	-	-	69,896
Due to other funds	697,791	28,081	-	725,872
Due to other governments	23,380	-	-	23,380
Long-term liabilities, due within one year:				
Notes payable	100,000	38,406	-	138,406
Compensated absences	7,981	8,751	7,981	24,713
Due in more than one year:				
Notes payable	907,000	627,745	-	1,534,745
Compensated absences	12,354	13,770	12,354	38,478
Net pension liability	113,389	105,845	-	219,234
Total OPEB liability	92,039	71,765	-	163,804
Total Liabilities	2,053,458	956,801	28,642	3,038,901
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	102,032	95,244	-	197,276
Deferred inflows from OPEB	17,544	13,679	-	31,223
Total Deferred Inflows of Resources	119,576	108,923	-	228,499
NET POSITION				
Net investment in capital assets	9,221,826	12,693,173	-	21,914,999
Unrestricted	(465,662)	746,642	245,482	526,462
Total Net Position	\$ 8,756,164	\$ 13,439,815	\$ 245,482	\$ 22,441,461

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, 2022

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
OPERATING REVENUES				
User fees and charges	\$ 954,108	\$ 763,881	\$ 693,946	\$ 2,411,935
OPERATING EXPENSES				
Cost of power	38,000	54,713	-	92,713
Maintenance, operations, and administration	600,147	376,649	640,327	1,617,123
Depreciation	215,926	282,904	-	498,830
Bad debt expense	24,580	8,762	11,661	45,003
Total Operating Expenses	878,653	723,028	651,988	2,253,669
Operating Income (Loss)	75,455	40,853	41,958	158,266
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenues	-	35,129	-	35,129
Interest income	702	-	-	702
Other	28,568	1,130	-	29,698
CARES Act relief	-	458	-	458
Interest expense	-	(6,949)	-	(6,949)
Net Nonoperating Revenues (Expenses)	29,270	29,768	-	59,038
Net Income (Loss) Before Transfers	104,725	70,621	41,958	217,304
Transfers in (out)	135,562	-	-	135,562
Change in Net Position	240,287	70,621	41,958	352,866
NET POSITION				
Beginning of Year	8,515,877	13,369,194	203,524	22,088,595
End of Year	\$ 8,756,164	\$ 13,439,815	\$ 245,482	\$ 22,441,461

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, 2022

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 923,156	\$ 774,340	\$ 693,811	\$ 2,391,307
Payments to suppliers	(360,747)	(246,606)	(666,037)	(1,273,390)
Payments to or on behalf of employees	(243,267)	(188,566)	-	(431,833)
Net Cash Provided (Used) by Operating Activities	319,142	339,168	27,774	686,084
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	28,791	458	-	29,249
Repayments of interfund balance	-	-	-	-
Interest earned	702	-	-	702
Receipts from other revenues	28,568	1,130	-	29,698
Net Cash Provided (Used) by Non-Capital Financing Activities	58,061	1,588	-	59,649
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenues	135,562	68,579	-	204,141
Purchase of capital assets	(226,710)	(33,801)	-	(260,511)
Principal payments on capital debt	-	(38,212)	-	(38,212)
Interest payments on capital debt	-	(6,949)	-	(6,949)
Net Cash Provided (Used) by Capital and Related Financing Activities	(91,148)	(10,383)	-	(101,531)
Net Increase (Decrease) in Cash	286,055	330,373	27,774	644,202
Cash and Investments, Beginning of Year	186,212	654,948	185,860	1,027,020
Cash and Investments, End of Year	\$ 472,267	\$ 985,321	\$ 213,634	\$ 1,671,222
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities				
Operating income (loss)	75,455	40,853	41,958	158,266
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	215,926	282,904	-	498,830
(Increase) decrease in:				
Accounts receivable	(30,687)	10,459	(135)	(20,363)
Deferred outflows from pensions	(17,663)	(1,783)	-	(19,446)
Deferred outflows from OPEB	(21,743)	(14,519)	-	(36,262)
Increase (decrease) in:				
Accounts payable	5,361	36,051	(16,582)	24,830
Accrued liabilities	4,985	5,431	-	10,416
Deposits	(265)	-	-	(265)
Compensated absences	2,533	(1,523)	2,533	3,543
Net pension liability	(50,967)	(107,312)	-	(158,279)
Total OPEB liability	42,364	11,657	-	54,021
Deferred inflows from pensions	92,395	82,747	-	175,142
Deferred inflows from OPEB	1,448	(5,797)	-	(4,349)
Net Cash Provided (Used) by Operating Activities	\$ 319,142	\$ 339,168	\$ 27,774	\$ 686,084
Note regarding operating activities				
The respective change in accounts payable does not reflect the purchase of capital assets	\$ -	\$ 2,327	\$ -	\$ 2,327

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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.

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:

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Fund accounts for the financing of home rehabilitation and economic assistance, 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.

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

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

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

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

All proprietary (enterprise) funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net asset.

Basis of Accounting:

In the government-wide statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

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

D. Assets, Liabilities, Net Position or Fund Equity

Cash and Cash Equivalents:

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

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Liabilities:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term liabilities 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, 2022

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, 2022.

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 block grant 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.

G. Budgets

The City adopts an annual budget for the fiscal year commencing the following July 1. Budgets are adopted on a basis consistent with generally accepted accounting principles, except for loan activity in the Community and Economic Development Block Grant Fund which is budgeted on an inflow and outflow of resources basis. The level of control, the level at which expenditures may not exceed budget, is the fund. Unused appropriations lapse at the end of the fiscal year. The City does not use encumbrance accounting.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 2 IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

Effective for fiscal years beginning July 1, 2022, the GASB issued **Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

In June 2022, the GASB issued **Statement No. 101, Compensated Absences**. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

This Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

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, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position		
Governmental activities		\$ 1,671,222
Business-type activities		1,338,640
		\$ 3,009,862
<hr/>		
Consisting of:		
Deposits with financial institutions		\$ 3,005,463
Local Agency Investment Fund (LAIF)		3,983
Cash on hand		416
		\$ 3,009,862

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, 2022

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.

	Cost	Fair Value	Maturity Date
Local Agency Investment Fund	<u>\$ 3,983</u>	<u>\$ 3,983</u>	311-day average

Disclosure Relating to Credit Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk:

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

The City's balance in banks was \$3,132,332, 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).

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 4. LOANS RECEIVABLE

The following is the composition of loans receivable at June 30, 2022:

Community development loan programs	\$ 1,451,198
Less: allowance for doubtful accounts	(108,000)
Loans receivable, net	\$ 1,343,198

NOTE 5. INTERFUND BALANCES AND TRANSFERS

The following is a summary of the interfund receivables and payables at June 30, 2022:

	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, 2022:

	Transfers In	Transfers Out	Transfers
Governmental Activities			
General Fund	\$ 317,113	\$ -	\$ 317,113
Community Development Block Grant Fund	-	246,287	\$ (246,287)
Non-major Governmental Funds	-	206,388	(206,388)
Total Governmental Activities	317,113	452,675	(135,562)
Business-Type Activities			
Water Fund	135,562	-	135,562
Total Business Type Activities	135,562	-	135,562
Total Government Wide Statement	\$ 452,675	\$ 452,675	\$ -

The transfers were to move interest earned on loan receivables to the General Fund and to move capital project costs to the respective funds for purposes of reporting the capital outlay in the applicable fund.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions, Transfers In	Retirements, Transfers Out	Ending Balance
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 6,498,827	\$ 106,142	\$ -	\$ 6,604,969
Intangible assets	32,034	- -	- -	32,034
Construction in progress	1,003,908	5,809,053	(6,664,644)	148,317
Total Nondepreciable Capital Assets	7,534,769	5,915,195	(6,664,644)	6,785,320
Depreciable Capital Assets				
Infrastructure	10,319,659	862,375	6,664,140	17,846,174
Buildings	2,448,357	- -	- -	2,448,357
Machinery and equipment	4,379,580	507,416	(260,136)	4,626,860
Right-to-use leased equipment	- -	33,768	- -	33,768
Total Depreciable Capital Assets	17,147,596	1,403,559	6,404,004	24,955,159
Less Accumulated Depreciation				
Infrastructure	3,794,531	216,918	- -	4,011,449
Buildings	1,491,944	47,019	- -	1,538,963
Machinery and equipment	3,167,818	189,385	(260,136)	3,097,067
Right-to-use leased equipment	- -	9,424	- -	9,424
Total Accumulated Depreciation	8,454,293	462,746	(260,136)	8,656,903
Depreciable Capital Assets, Net	8,693,303	940,813	6,664,140	16,298,256
Governmental Capital Assets, Net	16,228,072	6,856,008	(504)	23,083,576
Business-Type Activities				
Nondepreciable Capital Assets				
Land	4,191,789	- -	- -	4,191,789
Intangible assets	2,209,438	- -	- -	2,209,438
Construction in progress	863,809	162,838	- -	1,026,647
Total Nondepreciable Capital Assets	7,265,036	162,838	- -	7,427,874
Depreciable Capital Assets				
Infrastructure	21,953,576	- -	- -	21,953,576
Buildings	301,374	- -	- -	301,374
Machinery and equipment	1,276,244	- -	- -	1,276,244
Total Depreciable Capital Assets	23,531,194	- -	- -	23,531,194
Less Accumulated Depreciation				
Infrastructure	6,075,500	440,560	- -	6,516,060
Buildings	281,794	2,750	- -	284,544
Machinery and equipment	514,794	55,520	- -	570,314
Total Accumulated Depreciation	6,872,088	498,830	- -	7,370,918
Depreciable Capital Assets, Net	16,659,106	(498,830)	- -	16,160,276
Business-Type Capital Assets, Net	23,924,142	(335,992)	- -	23,588,150
Total Government-Wide Capital Assets, Net	\$40,152,214	\$ 6,520,016	\$ (504)	\$46,671,726

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 6. CAPITAL ASSETS (continued)

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

Governmental Activities	
General government	\$ 77,239
Public safety	149,155
Streets and roads	223,373
Community and economic development	12,979
Total Depreciation Expense - Governmental Activities	\$ 462,746

Business-Type Activities	
Water fund	\$ 215,926
Sewer fund	282,904
Total Depreciation Expense - Business-Type Activities	\$ 498,830

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.

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	June 30, 2021			June 30, 2022	Due within one year	
		Additions	Reductions			
Governmental Activities						
Compensated absences	\$ 162,413	\$ 5,024	\$ -	\$ 167,437	\$ 38,361	
Interest payable	9,249	-	1,208	8,041	8,041	
Capital lease obligations	352,349	-	45,992	306,357	47,369	
Lease liabilities	-	33,768	8,205	25,563	9,185	
Total Governmental Activities	\$ 524,011	\$ 38,792	\$ 55,405	\$ 507,398	\$ 102,956	
Business-Type Activities						
Compensated absences	\$ 59,648	\$ 3,543	\$ -	\$ 63,191	\$ 24,713	
Total Business-Type Activities	\$ 59,648	\$ 3,543	\$ -	\$ 63,191	\$ 24,713	

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (continued)

Governmental Activities						
Notes from direct borrowings	\$ 748,802	\$	-	\$ 40,623	\$ 708,179	\$ 40,829
Total Governmental Activities						
Total Governmental Activities	\$ 748,802	\$	-	\$ 40,623	\$ 708,179	\$ 40,829
Business-Type Activities						
Notes from direct borrowings	\$ 1,811,363	\$	-	\$ 138,212	\$ 1,673,151	\$ 138,406
Total Business-Type Activities						
Total Business-Type Activities	\$ 1,811,363	\$	-	\$ 138,212	\$ 1,673,151	\$ 138,406

The City's outstanding debt from capital lease obligations relating to governmental activities of \$306,357 is from 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, 2022 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 lease liabilities relating to governmental activities of \$25,563 is from the implementation of GASB Statement No. 87 whereby the City recorded a lease liability in Governmental Activities in the amount of \$33,768. An incremental borrowing rate of 7.5% was used to calculate the present value of the future minimum lease payments to record the liability. The remaining lease term ends January 20, 2025, with no options to renew, except to roll over month-to-month. Monthly payments of \$916.90 are due to Ray A. Morgan Company for the City's right to use the copier equipment. Consistent with equipment lease agreements, security lies solely in the right to repossess the equipment in the event of default.

The City's outstanding debt from direct borrowings relating to governmental activities of \$708,179 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 \$1,673,151 was from the following borrowings:

- 1) California Energy Commission in the amount of \$666,151 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.
- 2) During FY20-21, 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 balance of the note at June 30, 2022 was \$1,007,000. 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, 2022, the entire line of credit balance was unused.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2022, are as follows:

		Governmental Activities	
		Capital Lease Obligations	
Year Ended June 30,		Principal	Interest
2023		\$ 47,369	\$ 9,172
2024		48,787	7,754
2025		50,248	6,293
2026		51,752	4,789
2027		53,302	3,240
2028		54,899	1,644
		<hr/> <hr/> \$ 306,357	<hr/> <hr/> \$ 32,892
		Governmental Activities	
		Lease Liabilities	
Year Ended June 30,		Principal	Interest
2023		\$ 9,185	\$ 1,609
2024		10,118	885
2025		6,260	158
		<hr/> <hr/> \$ 25,563	<hr/> <hr/> \$ 2,652
Notes from Direct Borrowings			
		Governmental Activities	
		Business-Type Activities	
Year Ended June 30,		Principal	Interest
2023		\$ 40,829	\$ 7,181
2024		41,330	6,680
2025		41,768	6,242
2026		42,192	5,818
2027		42,621	5,389
2028-2032		219,672	20,378
2033-2037		231,084	8,965
2038-2039		48,683	373
		<hr/> <hr/> \$ 708,179	<hr/> <hr/> \$ 61,026
		<hr/> <hr/> \$ 1,673,151	<hr/> <hr/> \$ 57,403

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, 2021, 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, 2021, actuarial valuation report for the CalPERS **Miscellaneous** and **Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9. PENSION PLAN (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS' annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan's** actuarially determined rate is the estimated amount necessary to pay the **Plan's** allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2021 (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)	6.918%	6.750%
Employer	8.794%	7.732%
Safety		
Employee (Charged)	7.000%	10.000%
Employee (Effective)	6.935%	10.000%
Employer	14.810%	11.114%

The charged employee contribution rate is the percentage that **Plan** charges the employees after the first \$400 in earnings for Classic plans. The classic plan charges the first \$400 in earnings 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 2020–2021 from the June 30, 2020, 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

All other actuarial assumptions used in the June 30, 2020, 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 December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9. PENSION PLAN (continued)

Long-term Expected Rate of Return

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

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

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

Asset Class ¹	Assumed asset allocation	Real return years 1-10 ^{2,4}	Real return years 11+ ^{3,4}
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 Annual Comprehensive Financial Report (ACFR), 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.

⁴ Figures are based on previous ALM of 2017

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.

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9. PENSION PLAN (continued)

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, 2021, measurement date is 3.7 years.

CalPERS derived the EARSL by dividing the total service years of 561,622 (the sum of remaining service lifetimes of all active employees) by 150,622 (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, 2021 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency Miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

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

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9. PENSION PLAN (continued)

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

As of June 30, 2022, 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	\$	803,384
Safety		751,836
Total Net Pension Liability	\$	1,555,220

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2021 measurement date was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2020	0.03848%	0.02212%	0.02847%
Proportion - June 30, 2021	0.04231%	0.02142%	0.02876%
Change - Increase/(Decrease)	0.00383%	-0.00070%	0.00029%

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, 2022, the contributions recognized as part of pension expense for each **Plan** were as follows:

	Miscellaneous	Safety
	\$ 181,714	\$ 180,864

For the year ended June 30, 2022, the City recognized pension expense of \$48,093.

At June 30, 2022, 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, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ -
Differences between actual and expected experience	218,542	-
Difference between projected and actual earnings on pension plan investments	-	1,148,799
Differences between the employer's proportionate share of contributions	1,203	250,414
Change in employer's proportion	170,419	242
Pension contributions subsequent to measurement date	406,994	-
Total	\$ 797,158	\$ 1,399,455

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

NOTE 9. PENSION PLAN (continued)

The \$406,994 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, 2023. 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:	
2022	(\$208,469)
2023	(227,659)
2024	(256,214)
2025	(316,949)
2026	-
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	\$1,830,874	\$803,384	-\$46,028
Safety	1,637,753	751,836	24,167
Total	\$3,468,627	\$1,555,220	-\$21,861

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

The City had \$32,463 in current amounts payable to the pension plan at June 30, 2022.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors a single-employer defined benefit OPEB plan that provides medical and prescription drug coverage at retirement. Employees may continue health coverage with the City at retirement for themselves, their spouses, and dependents for life once they meet certain eligibility requirements and as long as required contributions are made. There are no plan provision changes since the last full valuation.

Benefits Provided

On retirement from CalPERS, employees with a membership date before 1/1/2013 that have reached age 50 with 5 years of City service can retire and elect any CalPERS medical plan. Employees with a membership date or after 1/1/2013 that have reached age 52 with 5 years of City service can retire and elect any CalPERS medical plan.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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

Contributions

Employer Subsidy: pursuant to Government Code 22892 of the Public Employees' Medical and Hospital Act (PEMHCA), the City contributes the minimum amount allowed based on the "equal" contribution formula, which is equal to the "contribution percentage" multiplied by the PEMHCA minimum. The contribution percentage will increase by 5 percentage points annually until it equals 100%. The PEMHCA minimum amount is \$143 per month effective on January 1, 2021. The contribution percentages are 75% for Safety and 40% for Miscellaneous in 2021. The minimum employer contribution increases annually by the CPI medical care component. The amount of City-provided contribution is the same regardless of the retiree's dependent coverage and health plan choice. Retirees are required to contribute the portion of premium rates not covered by the Employer Subsidy.

Contributions: the City pays benefits as they come due

Contribution Rate: Benefits due

Reporting period contributions: \$ 17,276

(Includes implicit subsidy payment)

Employees covered by benefit terms

At June 30, 2021 (the valuation date), the benefit terms covered the following employees:

Plan Demographics	
Active employees	28
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Total Membership	33

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(TOL)

The City's TOL was valued as of June 30, 2021 and was used to calculate the TOL measured as of June 30, 2021.

Actuarial Assumptions

The TOL as of June 30, 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Summary of Assumptions	
Inflation	2.50%
Payroll growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Investment rate of return	N/A; OPEB Plan is unfunded
Discount rate	1.92% Based on 2021 Getzen that reflects premium increases from 2021 to 2022 ¹ followed by 5.75% decreasing gradually to an ultimate rate of 4.04% by 2075 for non-Medicare and 3.50% for all years for Medicare
Healthcare trend rates	

¹ Actual premium increases from 2021 to 2022 used in the valuation are as follows: (a) Non-Medicare: 9.30% for actives and 0.00% for retirees and (b) Medicare: 4.20% (based on the actual PEMHCA premium increase from 2021 to 2022 as only the PEMHCA minimum benefit is valued post-65).

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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

Actuarial Assumptions (continued)

Changes Since Prior Valuation

1. Single Equivalent Discount Rate (SEDR) was reduced from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021 based on the updated municipal bond index, which caused an increase in the liability.
2. Payroll growth, mortality, disability, termination, and retirement rates have been updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021. The net impact of these changes is a decrease in the liability.
3. Health care trend rates have been updated as follows based on updated Getzen Model of Long-Run Medical Cost Trends, which caused an increase in the liability.
 - a. Medical/prescription drug non-Medicare: from an initial rate of 7.00% that decreases gradually to an ultimate rate of 3.84% to Getzen 2021 table that reflects actual premium increases from 2021 to 2022 followed by 5.75% in 2022 that decreases gradually to an ultimate rate of 4.04%.
 - b. Medical/prescription drug Medicare: from 4.00% to 4.20% in 2021 followed by 3.50% thereafter.
 - c. PEMHCA minimum trend has been updated from 3.00% to 4.20% in 2021 followed by 3.50% thereafter.
4. Percentage of active employees assumed to elect spousal coverage at retirement has been increased from 50% to 60% based on actual spousal election data for existing retirees. This change caused an increase in the liability.

Discount Rate

Under GASB 75, the discount rate used in valuing OPEB liabilities as of the Measurement Date for an unfunded plan is a single rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current year's valuation, the municipal bond index as of the prior and current Measurement Dates are:

Index: Fidelity GO AA 20 Years Municipal Index: 1.92% as of June 30, 2021 and 2.45% as of June 30, 2020.

Actuarial Cost Method

Entry Age Normal Level Percentage of Pay; a method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings of the individual between entry age and assumed exit age(s).

- The portion allocated to a valuation year is called the Normal Cost.
- The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).

Payroll Growth

2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Police members. Refer to the Appendix for sample rates.

Census Data

Census information was provided by the City as of June 30, 2021. We have reviewed this data for reasonableness and no material modification was made to the data.

Mortality, Termination, Disability and Retirement

Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Police members. Refer to the Appendix for sample rates.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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

Actuarial Assumptions (continued)

Participation Rate

70% of active employees are assumed to elect health coverage with the City at retirement for life.

Existing retirees who are currently enrolled in the City's health plans are assumed to continue coverage until death. Upon retiree's death, surviving spouses are assumed to continue coverage in the City's health plans (all of them are assumed to receive contingent pension benefit). Existing retirees who currently waived coverage are not assumed to re-enroll in the future.

Healthcare Trend Rates

Historically, health care costs have increased more rapidly than the rate of inflation. In estimating the value of retiree health benefits, assumptions must be made on future increases in healthcare costs. The health care trend rates assumption used in this valuation is based on the Getzen Model of Long-Run Medical Cost Trends, which was first designed by T.E. Getzen for the Society of Actuaries (SOA) in 2007. The model is designed to make long-run forecasts and typically used to select medical trend assumptions for retiree medical valuations to present liabilities disclosed under the appropriate accounting standards, or to determine contributions under a funding policy. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group. The model is updated annually along with updated documentation and recommended input variables by the author of the model.

The baseline assumptions used in the Getzen model are as shown in the table below.

Inflation Rate	2.5%
Real GDP Per Capita Growth	1.5%
Excess Medical Cost Growth	1.1%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

OPEB Expense

The table below shows the comparison of the OPEB Expense recognized by the City for the current and prior fiscal years.

Fiscal Years	2021/22	2020/21
SEDR as of beginning of year	2.45%	3.13%
SEDR as of end of year	1.92%	2.45%
Service cost	\$ 81,722	\$ 69,259
Interest on TOL and Service Cost	20,105	22,496
Changes in benefit terms	-	-
Projected earnings on OPEB Plan investments	-	-
OPEB Plan administrative expenses net of all revenues	-	-
Current period recognition of Deferred Inflows / Outflows of Resources		
Differences between expected and actual experience in the TOL	\$ (11,723)	\$ (32,267)
Changes of assumptions or other inputs	14,585	8,250
Net difference between the projected and actual earnings on OPEB Plan investments	-	-
Other	-	-
Total current period recognition	\$ 2,862	\$ (24,017)
OPEB Expense	\$ 104,689	\$ 67,738

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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

Changes in the TOL as of the June 30, 2021 Measurement Year is as follows:

Changes in the Total OPEB Liability	Increases (Decreases)
	Total OPEB Liability
Balance as of report date June 30, 2021	\$ 747,481
Changes for the year:	
Service cost	81,722
Interest	20,105
Changes in benefit terms	-
Differences between expected and actual experience	205,435
Changes of assumptions	63,348
Benefit payments	(3,735)
Implicit rate subsidy fulfilled	(13,541)
Administrative expenses	-
Net changes	353,334
Balance as of report date June 30, 2022	\$ 1,100,815

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

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate as of June 30, 2021.

	1% Decrease	Discount Rate	1% Increase
	0.92%	1.92%	2.92%
Total OPEB liability (asset)	\$ 1,283,015	\$ 1,100,815	\$ 953,516
Increase (decrease)	182,200	(147,299)	
% Change	16.6%	-13.4%	

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates as of June 30, 2021.

	1% Decrease	Healthcare Trend Rates²	1% Increase
	\$ 916,584	\$ 1,100,815	\$ 1,339,853
Increase (decrease)	(184,231)	239,038	
% Change	-16.7%	21.7%	

² Comparison of Baseline, 1% Decrease and 1% Increase in healthcare trend rates, assumptions are as follows:

Periods	1% Decrease	Baseline	1% Increase
Non-Medicare	8.30% for actives / -1.00% for retirees followed by 4.75% decreasing to 3.04% ultimate rate	9.30% for actives / 0.00% for retirees followed by 5.75% decreasing to 4.04% ultimate rate	10.30% for actives / 1.00% for retirees followed by 6.75% decreasing to 5.04% ultimate rate
Medicare	3.20% followed by 2.50% for all subsequent years	4.20% followed by 3.50% for all subsequent years	5.20% followed by 4.50% for all subsequent years

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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

Deferred Inflows and Outflows of Resources Related to OPEB

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	\$ 184,891	\$ 209,383
Changes of assumptions or other inputs	112,860	444
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	29,978	-
Total	\$ 327,729	\$ 209,827

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

Report Year		
Ending June 30:		Amount
2023	\$ 2,862	
2024	2,862	
2025	2,862	
2026	2,862	
2027	3,086	
Thereafter	\$ 73,390	

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 \$313,528 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 \$1,360,774 at June 30, 2022.

Other Major Funds

The Community Development Project Income Fund has Non-spendable Fund Balance of \$1,029,670 consisting of noncurrent receivables and an Unassigned Fund Balance of \$208,992 at June 30, 2022.

The Boles Fire Fund has a Restricted Fund Balance of \$260,656 restricted for on-going mitigation efforts at June 30, 2022.

Other Funds

Other governmental (non-major) funds have Restricted Fund Balance of \$498,569 restricted for fund purposes of streets and roads improvements and an Assigned Fund Balance of \$114,603 for special projects at June 30, 2022.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2022

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, 2022, the City had an open subrecipient agreement for the Micro Enterprise Assistance Federal program for \$244,630, which is being entirely funded by an existing grant agreement.

NOTE 13. PRIOR PERIOD ADJUSTMENT

The City's Community Development Block Grant Fund, as well as the Governmental Activities, had a prior period adjustment related to the following:

Fund Balance Increase (Decrease)

1. Prior period adjustment for correcting the beginning loan receivable balance	\$ 14,921
Net impact on the Fund Balance: Increase	\$ 14,921

IMPACT ON:

GOVERNMENTAL ACTIVITIES

Net Position - July 1, 2021 - as previously reported	\$ 15,269,679
Prior Period Adjustments	
1. Prior period adjustment for correcting the beginning loan receivable balance	14,921
Net impact on the Net Position: Increase	14,921
Net Position - July 1, 2021 - as Restated	\$ 15,284,600

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

GASB Statement No. 87, *Leases*, enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. These changes were incorporated in the City's 2022 financial statements and had an effect on the beginning net position of the General Fund. At July 1, 2021, the date of implementation, the City recognized \$33,768 in net book value for the intangible right to use the leased asset and a lease liability of \$33,768 for a Canon copier machine leased in January 2020. The implementation of GASB Statement No. 87 had no effect on beginning net position as reported at June 30, 2021 as the lease asset and the lease liability are the same.

NOTE 15. SUBSEQUENT EVENTS

1. In September 2022, the City experienced the devastating effects of the Mill Fire that occurred at the mill operated by the Roseburg Forest Products Co. The City received a settlement from Roseburg Forest Products in the amount of \$6,808,335, some of which will go towards repairing water, sewer and roads infrastructure within the Mill Fire burn area.
2. After the close of the fiscal year, the City has been awarded several significant grants for water and sewer infrastructure projects. 1) \$10 million for the Water Bypass Project; 2) \$2.744 million for the Water/Sewer Infrastructure Project; and 3) \$748,125 for the Mill Fire Water System Recovery Project.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF WEED
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 702,841	\$ 702,841	\$ 717,344	\$ 14,503
Sales and use taxes	1,599,272	1,599,272	1,852,842	253,570
Transient occupancy taxes	312,500	312,500	436,414	123,914
Franchise and other taxes	255,100	255,100	250,278	(4,822)
Licenses and permits	10,000	10,000	11,341	1,341
Fines, forfeitures and penalties	8,000	8,000	7,851	(149)
Intergovernmental revenues	7,483,333	7,483,333	7,031,558	(451,775)
Charges for services	136,650	136,650	383,859	247,209
Use of money and property	27,900	27,900	12,433	(15,467)
Other	55,400	55,400	142,291	86,891
Total Revenues	10,590,996	10,590,996	10,846,211	255,215
EXPENDITURES				
Current:				
General government	1,222,040	1,222,040	691,038	531,002
Police protection	1,478,714	1,478,714	1,364,680	114,034
Fire protection	459,010	459,010	566,580	(107,570)
Streets and roads	315,825	315,825	342,802	(26,977)
Buildings and grounds	88,040	88,040	51,643	36,397
Community and economic development	112,260	112,260	134,555	(22,295)
Library	39,150	39,150	33,893	5,257
Capital outlay	7,384,555	7,384,555	7,203,475	181,080
Bad debt (recovery)	-	-	(1,000)	1,000
Debt service:				
Principal	137,453	137,453	94,820	42,633
Interest	14,713	14,713	19,005	(4,292)
Total Expenditures	11,251,760	11,251,760	10,501,491	750,269
Excess of Revenues over Expenditures	(660,764)	(660,764)	344,720	1,005,484
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	55,000	55,000
Proceeds from debt financing	-	-	33,768	33,768
Operating transfers in (out)	803,993	803,993	317,113	(486,880)
Total Other Financing Sources (Uses)	803,993	803,993	405,881	(398,112)
Change in Fund Balance	143,229	143,229	750,601	607,372
FUND BALANCES				
Beginning of Year	931,277	931,277	931,277	-
End of Year	\$ 1,074,506	\$ 1,074,506	\$ 1,681,878	\$ 607,372

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

CITY OF WEED
Budgetary Comparison Schedule
Community Development Block Grant Fund
For The Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Use of money and property	\$ 118,000	\$ 118,000	\$ 28,136	\$ (89,864)
Other	200	200	124	(76)
Total Revenues	118,200	118,200	28,260	(89,940)
EXPENDITURES				
Current:				
Community and economic development	8,500	8,500	1,273	7,227
Bad debt (recovery)	-	-	(5,000)	5,000
Total Expenditures	8,500	8,500	(3,727)	12,227
Excess of Revenues over Expenditures	109,700	109,700	31,987	(102,167)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	(246,287)	(246,287)
Change in Fund Balance	109,700	109,700	(214,300)	(348,454)
FUND BALANCES				
Beginning of Year, as Restated	1,452,962	1,452,962	1,452,962	-
End of Year	\$ 1,562,662	\$ 1,562,662	\$ 1,238,662	\$ (348,454)

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, 2022

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Revenues				
EXPENDITURES				
Current:				
Fire protection	-	-	-	-
Total Expenditures				
Change in Fund Balance				
FUND BALANCES				
Beginning of Year	260,656	260,656	260,656	-
End of Year	\$ 260,656	\$ 260,656	\$ 260,656	\$ -

Notes to the schedule: the City did not budget this fund due to lack of activity.

CITY OF WEED
Cost Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2022
Last 10 Years

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

Measurement Year Ending June 30:¹	2014	2015	2016	2017	2018	2019	2020	2021
Plan's proportion of the net pension liability (asset)	0.03064%	0.02368%	0.02617%	0.02643%	0.02690%	0.02760%	0.02847%	0.02876%
Plan's proportionate 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	\$ 1,555,220
Plan's covered payroll	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742	\$ 1,745,940	\$ 1,841,254	\$ 1,582,625
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	151.86%	128.82%	160.61%	180.88%	162.22%	161.96%	168.21%	98.27%
Plan'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%	89.17%
Plan's proportionate share of aggregate employer contributions ²	\$ 226,977	\$ 298,948	\$ 301,035	\$ 319,540	\$ 352,985	\$ 408,108	\$ 490,481	\$ 585,935

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.

CITY OF WEED
Cost Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2022
Last 10 Years

Schedule of the Plan's Contributions
Combined Plans

Measurement Year Ending June 30:¹	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution ²	\$ 155,089	\$ 152,981	\$ 203,195	\$ 233,055	\$ 273,500	\$ 332,877	\$ 341,897	\$ 362,578
Contributions in relation to the actuarially determined contributions	155,089	152,981	203,195	233,055	273,500	332,877	341,897	362,578
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's covered payroll	\$ 1,255,475	\$ 1,261,505	\$ 1,409,735	\$ 1,449,234	\$ 1,597,742	\$ 1,745,940	\$ 1,841,254	\$ 1,582,625
Contributions as a percentage of covered payroll	12.35%	12.13%	14.41%	16.08%	17.12%	19.07%	18.57%	22.91%

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, 2022
Last 10 Years ¹

Schedule of Changes in Net OPEB Liability

Measurement Date:	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Report Date:	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	
Total OPEB Liability (TOL)						
Service cost	\$ 57,453	\$ 59,105	\$ 60,006	\$ 69,259	\$ 81,722	
Interest on TOL and Service Cost	26,690	29,005	31,788	22,496	20,105	
Changes in benefit terms	-	-	-	-	-	
Differences between expected and actual experience	-	(1,356)	(304,506)	(441)	205,435	
Changes of assumptions or other inputs	-	(868)	64,767	14,610	63,348	
Benefit payments, including implicit subsidy payment	(20,464)	(21,131)	(25,620)	(15,824)	(17,276)	
Net Change in Total OPEB Liability	63,679	64,755	(173,565)	90,100	353,334	
Total OPEB Liability - Beginning of Year	702,512	766,191	830,946	657,381	747,481	
Total OPEB Liability - End of Year	\$ 766,191	\$ 830,946	\$ 657,381	\$ 747,481	\$ 1,100,815	
Plan Fiduciary Net Position (FNP)						
Contributions - employer	\$ 20,464	\$ 21,131	\$ 25,620	\$ 15,824	\$ 17,276	
Contributions - employees	-	-	-	-	-	
Benefit payments	(20,464)	(21,131)	(25,620)	(15,824)	(17,276)	
Net investment income	-	-	-	-	-	
Trust administrative expenses	-	-	-	-	-	
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	
Fiduciary Net Position - Beginning of Year	-	-	-	-	-	
Fiduciary Net Position - End of Year	\$ -					
Net OPEB Liability - End of Year	\$ 766,191	\$ 830,946	\$ 657,381	\$ 747,481	\$ 1,100,815	
Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll - measurement period	\$ 1,402,379	\$ 1,440,944	\$ 1,491,098	\$ 1,532,103	\$ 1,504,276	
Net OPEB Liability as a % of covered payroll	54.64%	57.67%	44.09%	48.79%	73.18%	

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 75 is applicable.

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

CITY OF WEED
Single-Employer Defined Benefit Post-employment Healthcare Plan
June 30, 2022
Last 10 Years ¹

Schedule of the Plan's Contributions

Measurement Year Ending June 30:	2017	2018	2019	2020	2021
Employer's contractual contributions	\$ 20,464	\$ 21,131	\$ 25,620	\$ 15,824	\$ 17,276
Contributions in relation to the employer's contractual contributions	20,464	21,131	25,620	15,824	17,276
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's covered payroll	\$ 1,402,379	\$ 1,440,944	\$ 1,491,098	\$ 1,532,103	\$ 1,504,276
Contributions as a percentage of covered payroll	1.46%	1.47%	1.72%	1.03%	1.15%

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 75 is applicable.

SUPPLEMENTARY INFORMATION

CITY OF WEED
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue Funds								Total
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund		
ASSETS									
Cash and investments	\$ 6,681	\$ 21,034	\$ 81,682	\$ 253,493	\$ 96,426	\$ 29,278	\$ 9,945	\$ 498,539	
Receivables (net of allowance for doubtful accounts):									
Intergovernmental	- 10,024		80,395	6,037	18,695	-	-	115,151	
Total Assets	\$ 6,681	\$ 31,058	\$ 162,077	\$ 259,530	\$ 115,121	\$ 29,278	\$ 9,945	\$ 613,690	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	- -		- -	- -	- 518	- -	- -	- 518	
Total Liabilities	- -	- -	- -	- -	518	- -	- -	518	
Fund balances:									
Restricted for:									
Streets and roads	6,681	31,058	162,077	259,530	- -	29,278	9,945	498,569	
Assigned for:									
Special projects	- -	- -	- -	- -	114,603	- -	- -	114,603	
Total Fund Balance	6,681	31,058	162,077	259,530	114,603	29,278	9,945	613,172	
Total Liabilities and Fund Balance	\$ 6,681	\$ 31,058	\$ 162,077	\$ 259,530	\$ 115,121	\$ 29,278	\$ 9,945	\$ 613,690	

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, 2022

	Special Revenue Funds								Total
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	Traffic Study Fund	STIP Fund		
REVENUES									
Intergovernmental revenues	\$ -	\$ 59,347	\$ 152,430	\$ 121,991	\$ -	\$ -	\$ -	\$ -	\$ 333,768
Transient occupancy taxes	-	-	-	-	108,531	-	-	-	108,531
Use of money and property	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	55,000	-	-	-	55,000
Total Revenues	-	59,347	152,430	121,991	163,531	-	-	-	497,299
EXPENDITURES									
Current:									
Public works - streets & roads	-	-	-	48,753	-	-	-	-	48,753
Community and economic development	-	-	-	-	59,333	-	-	-	59,333
Public transportation	-	-	72,035	-	-	-	-	-	72,035
Capital outlay	-	-	-	-	115,279	-	-	-	115,279
Total Expenditures	-	-	72,035	48,753	174,612	-	-	-	295,400
Excess of revenues over (under) expenditures	-	59,347	80,395	73,238	(11,081)	-	-	-	201,899
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	-	(206,388)	-	-	-	-	-	-	(206,388)
Total Other Financing Sources (Uses)	-	(206,388)	-	-	-	-	-	-	(206,388)
Change in Fund Balances	-	(147,041)	80,395	73,238	(11,081)	-	-	-	(4,489)
FUND BALANCE									
Beginning of Year	6,681	178,099	81,682	186,292	125,684	29,278	9,945	617,661	
End of Year	\$ 6,681	\$ 31,058	\$ 162,077	\$ 259,530	\$ 114,603	\$ 29,278	\$ 9,945	\$ 613,172	

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 MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council and City Manager, Tim Rundel
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, each major fund, and the aggregate remaining fund information of the City of Weed, California as of and for the year ended June 30, 2022, 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 November 28, 2023.

Report on 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) as a basis for designing 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2022-001** and **2022-002** to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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. I consider the deficiency described in the accompanying schedule of findings and questioned costs as item **2022-003** to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Weed, California's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items **2022-002** and **2022-004**.

INDEPENDENT AUDITOR'S REPORT
(Continued)

City of Weed, California's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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 the response.

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.



Charles W. Pillon, CPA
Anderson, California

November 28, 2023

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 and City Manager, Tim Rundel
City of Weed, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the City of Weed, California's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Weed, California's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Weed, California's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Weed, California's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Weed, California's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.

INDEPENDENT AUDITOR'S REPORT

(Continued)

- Obtain an understanding of City of Weed, California's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Weed, California's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items **2022-005 and 2022-006**. My opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Weed, California's response to the noncompliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. City of Weed, California's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance 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 deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items **2022-005 and 2022-006**, that I consider material weaknesses.

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.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Weed, California's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. City of Weed, California's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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. Pillon, CPA".

Charles W. Pillon, CPA
Anderson, California

November 28, 2023

CITY OF WEED
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Award Information	AL/other #	Pass-Through Entity Name	Pass-Through Entity #	Passed-through to Subrecipients (\$)	Federal Expenditures (\$)
Economic Development Cluster-Cluster					
Department of Commerce					
Investments for Public Works and Economic Development Facilities					
Investments for Public Works and Economic Development Facilities	11.300				\$ 4,534,288
Total Investments for Public Works and Economic Development Facilities				0	4,534,288
Total Department of Commerce					4,534,288
Total Economic Development Cluster-Cluster					4,534,288
Other Programs (Treated individually for major program determination)					
Department of Housing and Urban Development					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CA Department of Housing and Community Development	20-CDBG-12053		143,784
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CA Department of Housing and Community Development	20-CDBG-12090		5,370
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CA Department of Housing and Community Development	21-CDBG-PI-00004		134,395
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				17,314	283,549
Total Department of Housing and Urban Development					283,549
Department of the Treasury					
Coronavirus Relief Fund					
Coronavirus Relief Fund					
Unemployment Assistance	21.019	CA Economic Development Department	Not available		5,324
Total Coronavirus Relief Fund				0	5,324
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS					
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS - Water Arrearages Assistance	21.027	State of California	Not available		5,412
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	State of California	Not available		325,939
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS				0	331,351
Total Department of the Treasury					336,675
Total Other Programs (Treated individually for major program determination)					620,224
Total Expenditures of Federal Awards				\$ 17,314	\$ 5,154,512

CITY OF WEED
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Weed (the City) under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial net position or changes in net position of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, when applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Also, when applicable, recognition is following the Uniform Guidance for federal awards granted after December 26, 2014.
2. Pass-through entity identifying numbers are presented where available.

NOTE C—SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided \$17,314 of the federal awards to subrecipients.

NOTE D—INDIRECT COST RATE

The City did not elect to use the 10% de Minimis indirect cost rate on the federal awards presented in this schedule.

NOTE E—FEDERAL ASSISTANCE

The City 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.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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

2022-001 Material Weakness

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

Condition: As part of my audit, I identified numerous material 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.

Cause: Due to the health of the City's Finance Director, and the transition to an interim Finance Director, the City did not identify and post numerous material closing entries for the year under audit. Due partially to the lack of effective internal controls over the financial close process under the former Finance Director, especially involving the year-end revenue and expenditures accrual procedures, as well as the late transition to the interim Finance Director, these adjustments were not identified before the audit commenced.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001 (Continued)

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. **Questioned costs of \$52,446 have been identified related to this finding and has been recorded as Due to Other Governments in the financial statements.**

Context: This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018, 2019, 2020 and 2021, 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 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.

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

2022-002 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, as well as the copies of invoices being requested, are 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, which includes copies of all invoices being requested.

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 overfunded and 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. **The same questioned costs as reported in finding 2022-001 also relates to this finding.**

Context: This is a repeat finding from the prior year audits and is considered pervasive.

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.

2022-003 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.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-003 (Continued)

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 audits.

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.

2022-004 Material Noncompliance

Volunteer Fire Fighters' Pay

Condition: The City is not following the State guidelines for distinguishing between independent contractor and employee status for the payment of firefighting services to volunteers fire fighters. Therefore, the City has incorrectly paid the volunteer fire fighters, did not deduct the appropriate taxes and mis-reported the earnings on the wrong form.

Criteria: According to State law, the City is to analyze the relationship of all people paid by the City for goods and services to determine if they qualify as an independent contractor or as an employee of the City. Based on the State guidelines, if they qualify as an independent contractor, then a contract for services should be executed and payments exceeding \$600 per year will be reported on a Form 1099-NEC. If they do not qualify as an independent contractor, then they are considered an employee of the City and all applicable taxes shall be calculated, deducted and paid to the appropriate taxing authorities. All earnings and taxes and reported on Form W-2.

Cause: The City personnel were unaware of the State guidelines.

Effect: This is primarily a noncompliance issue with the State of California. The potential is for the City to be underpaying its share of the employer taxes for each employee. **There are no questioned costs related to this finding.**

Context: Although this has been going on for many years, the payments in this fiscal year were significant amounts so they were discovered by the audit during test work. This is the first year of this finding.

Recommendation: The City should immediately analyze the relationship of all volunteer firefighters paid by the City for services to determine if they qualify as an independent contractor or as an employee of the City. Based on the analysis, pay them and report their payments accordingly.

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

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Findings – Major Federal Award Program Audit

2021-005 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, 2022

Condition: The City failed to adequately review and reconcile the last pay request from the contractor and overpaid the contractor. As a result, the City also requested this overpayment amount from the Federal grant and it was funded to the City. 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.

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. Additionally, costs paid on this project with Federal funds cannot consist of improper payments, including overpayments, which are considered unallowable costs under the Federal cost principles.

Cause: There was no reconciliation of grant reporting (including funds requests) to the general ledger in the accounting system, which resulted in the overpayment and overfunding.

Effect: Grant project costs reporting (SF-425) were submitted to EDA with material misstatements and funds requests (SF-271) were misstated resulting in the overfunding of project costs. 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. **The same questioned costs as stated in Finding 2022-001, \$52,446, also relates to this major award program.**

Context: The audit examined 100% of the fund's requests (SF-271 #3 through #10) covering the entire fiscal year accrual period. The total Federal share requested exceeded total allowable project costs by \$52,446, the amount of the questioned costs. The overpayment of the contractor and overfunding appear to be isolated and not pervasive. This is a repeat finding.

Recommendation: I recommend the City ensure the accounting system reconciles to the funds requests without exception, to ensure invoices from contractors are correct before paying and to document the reconciliation to the accounting system.

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

2022-006 Material Weakness and Material Noncompliance: Cost Principles

Department of Commerce - Investments for Public Works and Economic Development Facilities – CFDA No. 11.300 - Year ended June 30, 2022

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*.

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 a repeat finding and has been elevated to material. **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, 2022

Findings - Financial Statement Audit

2021-001 Material Audit Adjustments and Lack of Effective Internal Control over Financial Close and Reporting

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.

Current Status: The City has not been able to implement the recommendations due to unforeseen circumstances related to the Finance Director’s health. During the first quarter of FY 23-24, the City hired a CPA as Finance Director and expects to implement these recommendations during preparation for the audit of the year ended June 30, 2023.

2021-002 Material Weakness and Material Noncompliance: Grant Management and Reporting

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.

Current Status: As stated in **Finding 2021-001**, the City has not been able to implement the recommendations due to unforeseen circumstances related to the Finance Director’s health and turnover of City accounting staff. During the first quarter of FY 23-24, the City hired a CPA as Finance Director and expects to implement these recommendations before the close of the year ended June 30, 2024.

2021-003 Subsidiary Ledgers

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 2021-001**, the City has not been able to implement the recommendations due to unforeseen circumstances related to the Finance Director’s health. With the City hiring a new Finance Director, the will either work with the software vendor to resolve the issue or will start the search for switching to a better accounting system. This will be started before the close of the year ended June 30, 2024.

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

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 state in the “cause” section.

Current Status: As stated in **Finding 2021-001**, the City has not been able to implement the recommendations due to unforeseen circumstances related to the Finance Director’s health and turnover of City accounting staff. During the first quarter of FY 23-24, the City hired a CPA as Finance Director and expects to implement these recommendations before the close of the year ended June 30, 2024.

**City of Weed, California
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

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

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.

Current Status: As stated in **Finding 2021-001**, the City has not been able to implement the recommendations due to unforeseen circumstances related to the Finance Director’s health. This resulted in the City changing the personnel responsible for the corrective action plan. Consequently, the written policies and procedures related to Federal awards did not get started until after June 30, 2023. The City has finished the written policies and procedures and they have been approved by City Council in September 2023.



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City Responses and Corrective Action Plan June 30, 2022

2022-001 Material Weakness

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

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

Corrective Action Plan: The City has hired a Finance Director who is a CPA and has governmental finance experience. It is anticipated that this will not be a finding in the 22-23 Audit.

Anticipated Completion Date: The hiring process for the new Finance Director has been completed and a thorough review of 22-23 transactions and account balances is in process. It is the intention that all significant misstatements be corrected before the commencement of the 22-23 Audit by the Finance Director.

2022-002 Material Weakness and Material Noncompliance

Grant Management and Reporting

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

Corrective Action Plan: Grant management will be implemented by the Finance Director. The Finance Director will prepare and/or review all reimbursement requests before they are submitted to the Grantor and reconcile grant activity to the general ledger on a quarterly basis at minimum.

City Responses and Corrective Action Plan

(Continued)

Anticipated Completion Date: This action will be completed and brought to a current status before the commencement of the 22-23 Audit.

2022-003 Significant Deficiency

Subsidiary Ledgers

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

Corrective Action Plan: The Finance Director will prepare a manual reconciliation of the subsidiary ledgers to agree them to the general ledger monthly. The Finance Director will also maintain a ledger for Fixed Assets which will be updated on an ongoing basis.

Anticipated Completion Date: This action will be completed and brought to a current status before the commencement of the 22-23 Audit.

2022-004 Material Noncompliance

Volunteer Firefighters' Pay

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

Corrective Action Plan: Volunteer Firefighters earning money for running calls will be put on payroll instead of being paid as contractors.

Anticipated Completion Date: This was implemented in October 2023.

2022-005 Material Weakness and Material Noncompliance: Grant and Reporting Compliance

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

Corrective Action Plan: The Finance Director will prepare and/or review all reimbursement requests before they are submitted to verify their accuracy. At the time of the reimbursement request, the grant activity will be reconciled to the general ledger to eliminate either missed expenses or duplicate requests.

City Responses and Corrective Action Plan

(Continued)

Anticipated Completion Date: This is currently being implemented as of October 2023.

2022-006 Material Weakness and Material Noncompliance: Cost Principles

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

Corrective Action Plan: A policy has been developed and adopted for compliance with federal award programs as outlined under *Uniform Guidance*.

Anticipated Completion Date: This was adopted and put into practice in August 2023.