

CITY OF WEED, CALIFORNIA
BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

**City of Weed, California
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June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
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, 2023, 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, 2023, 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 2023, the City of Weed adopted new accounting guidance, [GASB Statement No. 96, Subscription-Based Information Technology Arrangements](#). 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 38 to 40, the cost-sharing multiple employer defined benefit pension plan information on pages 41 and 42, and the single-employer defined benefit post-employment healthcare plan information on page 43 and 44, 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 45-46 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 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 August 31, 2024, on my consideration of the City of Weed, California's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Weed, California's internal control over financial reporting and compliance.

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

Charles W. Pilon, CPA
Anderson, California

August 31, 2024

BASIC FINANCIAL STATEMENTS

CITY OF WEED
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,148,742	\$ 1,021,694	\$ 10,170,436
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	161,867	161,867
Loans	1,158,462	-	1,158,462
Intergovernmental	989,773	625,088	1,614,861
Prepaid expenses	67,372	-	67,372
Capital assets:			
Non-depreciable	7,060,452	7,865,001	14,925,453
Depreciable, net	16,086,570	15,936,933	32,023,503
Total Assets	34,511,371	25,610,583	60,121,954
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	1,681,580	256,615	1,938,195
Deferred outflows from OPEB	247,202	29,526	276,728
Total Deferred Outflows of Resources	1,928,782	286,141	2,214,923
LIABILITIES			
Accounts payable	278,043	101,093	379,136
Fund overdraft payable	-	371,694	371,694
Accrued liabilities	133,609	14,840	148,449
Due to other governments	59,390	-	59,390
Deposits	-	32,982	32,982
Deferred revenue	4,879,906	53,544	4,933,450
Long-term liabilities, due within one year:			
Notes payable	41,442	138,982	180,424
Capital lease obligations	48,787	-	48,787
Interest payable	6,798	-	6,798
Lease liabilities	13,589	-	13,589
Compensated absences	31,971	31,732	63,703
Due in more than one year:			
Notes payable	625,707	1,395,575	2,021,282
Capital lease obligations	210,200	-	210,200
Lease liabilities	46,086	-	46,086
Compensated absences	151,976	38,785	190,761
Net pension liability	3,248,949	495,799	3,744,748
Total OPEB liability	823,897	98,406	922,303
Total Liabilities	10,600,350	2,773,432	13,373,782
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	337,772	51,545	389,317
Deferred inflows from OPEB	381,199	45,531	426,730
Total Deferred Inflows of Resources	718,971	97,076	816,047
NET POSITION			
Net investment in capital assets	22,161,211	22,267,377	44,428,588
Restricted	1,117,973	-	1,117,973
Unrestricted	1,841,648	758,839	2,600,487
Total Net Position	\$ 25,120,832	\$ 23,026,216	\$ 48,147,048

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

CITY OF WEED
Statement of Activities
For The Year Ended June 30, 2023

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General government	\$ 1,041,796	\$ 58,183	\$ 52,485	\$ -	\$ (931,128)	\$ -	\$ (931,128)
Public safety	2,828,336	700,351	180,794	-	(1,947,191)	-	(1,947,191)
Public works	1,068,955	-	322,759	173,679	(572,517)	-	(572,517)
Community development	230,788	728	22,990	177,952	(29,118)	-	(29,118)
Library	80,407	-	-	-	(80,407)	-	(80,407)
Interest expense	19,889	-	-	-	(19,889)	-	(19,889)
Total Governmental Activities	5,270,171	759,262	579,028	351,631	(3,580,250)	-	(3,580,250)
Business-Type Activities							
Water	673,990	852,268	-	406,109	-	584,387	584,387
Sewer	974,970	651,651	-	167,257	-	(156,062)	(156,062)
Solid waste	305,801	287,385	5,000	-	-	(13,416)	(13,416)
Total Business-Type Activities	1,954,761	1,791,304	5,000	573,366	-	414,909	414,909
Total Primary Government	\$ 7,224,932	\$ 2,550,566	\$ 584,028	\$ 924,997	(3,580,250)	414,909	(3,165,341)
General Revenues							
Taxes:							
Property taxes					482,920	-	482,920
Sales and use taxes					1,753,596	-	1,753,596
Transient occupancy taxes					463,984	-	463,984
Other taxes					514,898	-	514,898
Interest income					27,766	-	27,766
Gain on sale of capital assets					172	-	172
Other					181,580	14,741	196,321
Covid library relief					20,000	-	20,000
Transfers					(155,105)	155,105	-
Total General Revenues					3,289,811	169,846	3,459,657
Extraordinary Items							
Roseburg Mill Fire settlement funds					2,231,212	-	2,231,212
Mill Fire relief funds					31,698	-	31,698
Total Extraordinary Items					2,262,910	-	2,262,910
Changes in Net Position					1,972,471	584,755	2,557,226
Net Position, Beginning, as Previously Reported					23,018,737	22,441,461	45,460,198
Prior period adjustment					129,624	-	129,624
Net Position, Beginning of Year, as Restated					23,148,361	22,441,461	45,589,822
Net Position, End of Year					\$ 25,120,832	\$ 23,026,216	\$ 48,147,048

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

CITY OF WEED
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Revenue Funds			Total Governmental Funds
		Community Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 7,389,935	\$ 253,218	\$ 491,961	\$ 1,013,628	\$ 9,148,742
Receivables (net of allowance for doubtful accounts):					
Loans	286,122	872,340	-	-	1,158,462
Intergovernmental	927,473	-	-	62,300	989,773
Prepaid expenses	67,372	-	-	-	67,372
Total Assets	\$ 8,670,902	\$ 1,125,558	\$ 491,961	\$ 1,075,928	\$ 11,364,349
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	146,688	175	-	131,180	\$ 278,043
Accrued liabilities	165,334	-	-	246	165,580
Due to other governments	59,390	-	-	-	59,390
Accrued interest payable	6,798	-	-	-	6,798
Deferred revenue	4,647,827	-	232,079	-	4,879,906
Total Liabilities	5,026,037	175	232,079	131,426	5,389,717
Deferred Inflows of Resources:					
Deferred inflows - unavailable resources	102,533	-	-	-	102,533
Fund Balances:					
Nonspendable:					
Noncurrent receivables	286,122	872,340	-	-	1,158,462
Prepaid expenses	67,372	-	-	-	67,372
Total nonspendable	353,494	872,340	-	-	1,225,834
Restricted for:					
Streets and roads	-	-	-	587,872	587,872
Public safety	3,066	-	-	262,643	265,709
Parks maintenance	4,510	-	-	-	4,510
Boles fire restoration	-	-	259,882	-	259,882
Total restricted	7,576	-	259,882	850,515	1,117,973
Assigned for:					
Special projects	-	-	-	93,987	93,987
Unassigned	3,181,262	253,043	-	-	3,434,305
Total Fund Balance	3,542,332	1,125,383	259,882	944,502	5,872,099
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,670,902	\$ 1,125,558	\$ 491,961	\$ 1,075,928	\$ 11,364,349

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, 2023

Total Fund Balances Included in the Balance Sheet - Governmental Funds **\$ 5,872,099**

Assets recorded within the Statement of Net Position not reported in the funds:

Nondepreciable capital assets		7,060,452
Depreciable capital assets	25,397,205	
Accumulated depreciation	<u>(9,310,635)</u>	16,086,570

Deferred inflows (outflows) recorded within the statement of net position not reported in the funds:

Deferred inflows of resources relating to pensions		(337,772)
Deferred inflows of resources relating to OPEB		(381,199)
Deferred inflows of resources - unavailable revenues		102,533
Deferred outflows of resources relating to pensions		1,681,580
Deferred outflows of resources relating to OPEB		247,202

Liabilities recorded within the Statement of Net Position not reported in the funds:

Compensated absences		(151,976)
Net pension liability		(3,248,949)
Total OPEB obligation		(823,897)
Long-term debt		(985,811)

Total Net Position of Governmental Activities **\$ 25,120,832**

CITY OF WEED
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2023

		Special Revenue Funds			
	General Fund	Community Development Block Grant Fund	Boles Fire Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 482,920	\$ -	\$ -	\$ -	\$ 482,920
Sales and use taxes	1,753,596	-	-	-	1,753,596
Transient occupancy taxes	371,528	-	-	92,456	463,984
Franchise and other taxes	514,898	-	-	-	514,898
Licenses and permits	23,705	-	-	-	23,705
Fines, forfeitures and penalties	9,703	-	-	277,188	286,891
Intergovernmental revenues	508,945	-	-	319,181	828,126
Covid library relief	20,000	-	-	-	20,000
Charges for services	448,666	-	-	-	448,666
Use of money and property	13,934	13,832	-	-	27,766
Other	181,523	-	-	57	181,580
Total Revenues	4,329,418	13,832	-	688,882	5,032,132
EXPENDITURES					
Current:					
City council	14,914	-	-	-	14,914
Finance and administration	596,667	-	-	-	596,667
City attorney	51,965	-	-	-	51,965
Planning	182,726	-	-	-	182,726
Police protection	1,704,126	-	-	97,678	1,801,804
Fire protection	744,017	-	-	-	744,017
Public works - streets & roads	389,496	-	-	146,190	535,686
Public works - buildings & grounds	92,236	-	-	-	92,236
Community and economic development	122,511	4,160	774	113,128	240,573
Public transportation	-	-	-	72,217	72,217
Library	80,407	-	-	-	80,407
Bad debt expense (recovery)	(3,000)	(16,000)	-	-	(19,000)
Other	11,329	-	-	-	11,329
Capital outlay	656,766	-	-	11,471	668,237
Debt service:					
Principal	100,504	-	-	-	100,504
Interest	19,888	-	-	-	19,888
Total Expenditures	4,764,552	(11,840)	774	440,684	5,194,170
Excess of Revenues Over (Under) Expenditures	(435,134)	25,672	(774)	248,198	(162,038)
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	(16,154)	(138,951)	-	-	(155,105)
Special items:					
Proceeds from sale of capital assets	172	-	-	-	172
Total Other Financing Sources and (Uses)	(15,982)	(138,951)	-	-	(154,933)
Excess of Revenues Over (Under) Expenditures Before Extraordinary Items	(451,116)	(113,279)	(774)	248,198	(316,971)
EXTRAORDINARY ITEMS					
Roseburg Mill Fire settlement funds	2,231,212	-	-	-	2,231,212
Mill Fire relief funds	31,698	-	-	-	31,698
Total Extraordinary Items	2,262,910	-	-	-	2,262,910
Changes in Fund Balance	1,811,794	(113,279)	(774)	248,198	1,945,939
FUND BALANCE					
Beginning of Year, as Previously Reported	1,681,878	1,238,662	260,656	613,171	3,794,367
Prior period adjustments	48,660	-	-	83,133	131,793
Beginning of Year, Restated	1,730,538	1,238,662	260,656	696,304	3,926,160
End of Year	\$ 3,542,332	\$ 1,125,383	\$ 259,882	\$ 944,502	\$ 5,872,099

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, 2023

Total Change in Fund Balance included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,945,939
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	668,237	
Depreciation expense	<u>(648,838)</u>	19,399

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		100,504
Interest expense		(1)

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.

(51,761)

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.

(121,242)

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 (22,900)

Certain grant and similar revenues received more than one year after year-end are recorded as deferred revenue - unavailable in the governmental funds, but are reported as revenues in the Statement of Activities.

102,533

Change in Net Position of Governmental Activities	\$ 1,972,471
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CITY OF WEED
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Cash and investments	\$ 72,800	702,481	\$ 246,413	\$ 1,021,694
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	93,154	65,726	2,987	161,867
Intergovernmental	416,735	208,353	-	625,088
Capital assets:				
Non-depreciable	3,597,703	4,267,298	-	7,865,001
Depreciable, net	6,962,507	8,974,426	-	15,936,933
Total Assets	11,142,899	14,218,284	249,400	25,610,583
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	105,185	151,430	-	256,615
Deferred outflows from OPEB	14,963	14,563	-	29,526
Total Deferred Outflows of Resources	120,148	165,993	-	286,141
LIABILITIES				
Accounts payable	89,868	10,644	581	101,093
Bank overdraft payable	371,694	-	-	371,694
Accrued liabilities	7,978	6,862	-	14,840
Deposits	32,982	-	-	32,982
Deferred revenue	20,588	16,203	16,753	53,544
Long-term liabilities, due within one year:				
Notes payable	100,000	38,982	-	138,982
Compensated absences	15,648	16,084	-	31,732
Due in more than one year:				
Notes payable	807,000	588,575	-	1,395,575
Compensated absences	19,424	19,361	-	38,785
Net pension liability	203,225	292,574	-	495,799
Total OPEB liability	49,870	48,536	-	98,406
Total Liabilities	1,718,277	1,037,821	17,334	2,773,432
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	21,128	30,417	-	51,545
Deferred inflows from OPEB	23,074	22,457	-	45,531
Total Deferred Inflows of Resources	44,202	52,874	-	97,076
NET POSITION				
Net investment in capital assets	9,653,210	12,614,167	-	22,267,377
Unrestricted	(152,642)	679,415	232,066	758,839
Total Net Position	\$ 9,500,568	\$ 13,293,582	\$ 232,066	\$ 23,026,216

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

CITY OF WEED
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended June 30, 2023

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
OPERATING REVENUES				
User fees and charges	\$ 852,268	\$ 651,651	\$ 287,385	\$ 1,791,304
OPERATING EXPENSES				
Cost of power	36,104	57,286	-	93,390
Maintenance, operations, and administration	411,352	637,642	308,172	1,357,166
Depreciation	224,513	280,646	-	505,159
Bad debt expense (recovery)	2,021	(7,270)	(2,371)	(7,620)
Total Operating Expenses	673,990	968,304	305,801	1,948,095
Operating Income (Loss)	178,278	(316,653)	(18,416)	(156,791)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenues	406,109	167,257	5,000	578,366
Other	4,912	9,829	-	14,741
Interest expense	-	(6,666)	-	(6,666)
Net Nonoperating Revenues (Expenses)	411,021	170,420	5,000	586,441
Net Income (Loss) Before Transfers	589,299	(146,233)	(13,416)	429,650
Transfers in (out)	155,105	-	-	155,105
Changes in Fund Net Position	744,404	(146,233)	(13,416)	584,755
NET POSITION				
Beginning of Year	8,756,164	13,439,815	245,482	22,441,461
End of Year	\$ 9,500,568	\$ 13,293,582	\$ 232,066	\$ 23,026,216

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, 2023

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 874,746	\$ 646,308	\$ 361,641	\$ 1,882,695
Payments to suppliers	80,873	(497,696)	(333,862)	(750,685)
Payments to or on behalf of employees	(221,631)	(196,948)	-	(418,579)
Net Cash Provided (Used) by Operating Activities	733,988	(48,336)	27,779	713,431
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	(23,380)	-	5,000	(18,380)
Repayments of interfund balance	(697,791)	(28,082)	-	(725,873)
Receipts from other revenues	4,912	9,829	-	14,741
Net Cash Provided (Used) by Non-Capital Financing Activities	(716,259)	(18,253)	5,000	(729,512)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital transfers from other funds	155,105	-	-	155,105
Purchase of capital assets	(472,301)	(170,991)	-	(643,292)
Principal payments on capital debt	(100,000)	(38,594)	-	(138,594)
Interest payments on capital debt	-	(6,666)	-	(6,666)
Net Cash Provided (Used) by Capital and Related Financing Activities	(417,196)	(216,251)	-	(633,447)
Net Increase (Decrease) in Cash	(399,467)	(282,840)	32,779	(649,528)
Cash and Investments, Beginning of Year	472,267	985,321	213,634	1,671,222
Cash and Investments, End of Year	\$ 72,800	\$ 702,481	\$ 246,413	\$ 1,021,694
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities				
Operating income (loss)	178,278	(316,653)	(18,416)	(156,791)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	224,513	280,646	-	505,159
(Increase) decrease in:				
Accounts receivable	38,804	(21,546)	57,503	74,761
Deferred outflows from pensions	(47,065)	(97,177)	-	(144,242)
Deferred outflows from OPEB	12,438	6,802	-	19,240
Increase (decrease) in:				
Accounts payable	357,979	(36,250)	(7,726)	314,003
Accrued liabilities	(1,663)	(736)	-	(2,399)
Deposits	(36,914)	-	-	(36,914)
Deferred revenue	20,588	16,203	16,753	53,544
Compensated absences	14,737	12,924	(20,335)	7,326
Net pension liability	89,836	186,729	-	276,565
Total OPEB liability	(42,169)	(23,229)	-	(65,398)
Deferred inflows from pensions	(80,904)	(64,827)	-	(145,731)
Deferred inflows from OPEB	5,530	8,778	-	14,308
Net Cash Provided (Used) by Operating Activities	\$ 733,988	\$ (48,336)	\$ 27,779	\$ 713,431
Note regarding operating activities				
The respective change in accounts payable does not reflect the purchase of capital assets	\$ 83,596	\$ 6,668	\$ -	\$ 90,264

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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, 2023

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.

WPD Forfeiture Seizure Fund was established to account for funds received from forfeiture of property within Siskiyou County as approved by the District Attorney's office for use by the Weed Police Department..

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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, 2023

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 1-year 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.

Deferred revenues:

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 (i.e. unearned). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences:

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

Net Pension Asset/Liability:

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

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2023.

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 the Community Development Fund balance as assigned for the purposes of community development and promotion.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of other fund balance amounts.

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

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

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

Expenditures/Expenses:

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Estimates

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

G. Budgets

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

NOTE 2 IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

Effective for fiscal years beginning July 1, 2024, 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.

Effective for fiscal years beginning July 1, 2024, the GASB issued **Statement No. 102, Certain Risk Disclosures**. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely to begin to occur within 12 months of the date the financial statements are issued.

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, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Governmental activities	\$ 9,148,742
Business-type activities	1,021,694
	\$ 10,170,436
Consisting of:	
Deposits with financial institutions	\$ 10,166,126
Local Agency Investment Fund (LAIF)	4,060
Cash on hand	250
	\$ 10,170,436

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 3. CASH AND INVESTMENTS (continued)

Investments Authorized:

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

Disclosure Relating to Interest Rate Risk:

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Local Agency Investment Fund	<u>\$ 4,060</u>	<u>\$ 4,060</u>	390-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 \$9,926,308, all of which was covered by federal depository insurance, or the collateral requirements discussed in the preceding paragraph. The bank balance differs from the book balance because of outstanding checks and deposits in transit, as well as reclassifications of negative book balances to bank overdraft payable.

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 3. CASH AND INVESTMENTS (continued)

Investment in State Investment Pool (LAIF):

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

NOTE 4. LOANS RECEIVABLE

The following is the composition of loans receivable at June 30, 2023:

Community development loan programs	\$ 1,247,462
Less: allowance for doubtful accounts	(89,000)
Loans Receivable, net	\$ 1,158,462

NOTE 5. INTERFUND BALANCES AND TRANSFERS

The following is a summary of operating transfers in / out for the year ended June 30, 2023:

	Transfers In	Transfers Out	Transfers
Governmental Activities			
General Fund	\$ -	\$ 16,154	\$ (16,154)
Community Development Block Grant Fund	-	138,951	\$ (138,951)
Total Governmental Activities	-	155,105	(155,105)
Business-Type Activities			
Water Fund	155,105	-	155,105
Total Business Type Activities	155,105	-	155,105
Total Government Wide Statement	\$ 155,105	\$ 155,105	\$ -

The transfers were 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, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions, Transfers In	Retirements, Transfers Out	Ending Balance
Governmental Activities	As Restated			
Nondepreciable Capital Assets				
Land	\$ 6,604,969	\$ -	\$ -	\$ 6,604,969
Intangible assets	32,034	-	-	32,034
Construction in progress	148,317	275,132	-	423,449
Total Nondepreciable Capital Assets	6,785,320	275,132	-	7,060,452
Depreciable Capital Assets				
Infrastructure	17,846,174	51,327	-	17,897,501
Buildings	2,448,357	285,980	-	2,734,337
Machinery and equipment	4,626,860	55,798	-	4,682,658
Right-to-use leased equipment	82,709	-	-	82,709
Total Depreciable Capital Assets	25,004,100	393,105	-	25,397,205
Less Accumulated Depreciation				
Infrastructure	4,011,449	357,368	-	4,368,817
Buildings	1,538,963	55,122	-	1,594,085
Machinery and equipment	3,097,067	222,030	-	3,319,097
Right-to-use leased equipment	14,318	14,318	-	28,636
Total Accumulated Depreciation	8,661,797	648,838	-	9,310,635
Depreciable Capital Assets, Net	16,342,303	(255,733)	-	16,086,570
Governmental Capital Assets, Net	23,127,623	19,399	-	23,147,022
Business-Type Activities				
Nondepreciable Capital Assets				
Land	4,191,789	-	-	4,191,789
Intangible assets	2,209,438	-	-	2,209,438
Construction in progress	1,026,647	718,943	(281,816)	1,463,774
Total Nondepreciable Capital Assets	7,427,874	718,943	(281,816)	7,865,001
Depreciable Capital Assets				
Infrastructure	21,953,576	-	-	21,953,576
Buildings	301,374	-	-	301,374
Machinery and equipment	1,276,244	-	281,816	1,558,060
Total Depreciable Capital Assets	23,531,194	-	281,816	23,813,010
Less Accumulated Depreciation				
Infrastructure	6,516,060	440,560	-	6,956,620
Buildings	284,544	2,750	-	287,294
Machinery and equipment	570,314	61,849	-	632,163
Total Accumulated Depreciation	7,370,918	505,159	-	7,876,077
Depreciable Capital Assets, Net	16,160,276	(505,159)	281,816	15,936,933
Business-Type Capital Assets, Net	23,588,150	213,784	-	23,801,934
Total Government-Wide Capital Assets, Net	\$46,715,773	\$ 233,183	\$ -	\$46,948,956

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6. CAPITAL ASSETS (continued)

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

Governmental Activities	
General government	\$ 85,558
Public safety	188,249
Streets and roads	368,816
Community and economic development	6,215
Total Depreciation Expense - Governmental Activities	\$ 648,838
Business-Type Activities	
Water fund	\$ 224,513
Sewer fund	280,646
Total Depreciation Expense - Business-Type Activities	\$ 505,159

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, 2023, are as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Due within one year
Governmental Activities	As Restated				
Compensated absences	\$ 167,437	\$ 16,510	\$ -	\$ 183,947	\$ 31,971
Interest payable	8,041	-	1,243	6,798	6,798
Capital lease obligations	306,357	-	47,370	258,987	48,787
Lease liabilities	71,779	-	12,104	59,675	13,589
Total Governmental Activities	\$ 553,614	\$ 16,510	\$ 60,717	\$ 509,407	\$ 101,145
Business-Type Activities					
Compensated absences	\$ 63,191	\$ 7,326	\$ -	\$ 70,517	\$ 31,732
Total Business-Type Activities	\$ 63,191	\$ 7,326	\$ -	\$ 70,517	\$ 31,732

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (continued)

Governmental Activities										
Notes from direct borrowings	\$	708,179	\$	-	\$	41,030	\$	667,149	\$	41,442
Total Governmental Activities	\$	708,179	\$	-	\$	41,030	\$	667,149	\$	41,442
Business-Type Activities										
Notes from direct borrowings	\$	1,673,151	\$	-	\$	138,594	\$	1,534,557	\$	138,982
Total Business-Type Activities	\$	1,673,151	\$	-	\$	138,594	\$	1,534,557	\$	138,982

The City's outstanding debt from capital lease obligations relating to governmental activities of \$258,987 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, 2023 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 \$59,675 is pursuant to the implementation of GASB Statement No. 87, *Leases*, on July 1, 2021, whereby the City recorded a lease liability in Governmental Activities for the following leases that were found to be applicable to the new standard:

Equipment Lease – Copier: the City recorded a lease liability 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. The balance of the lease liability at June 30, 2023 was \$16,379. Consistent with equipment lease agreements, security lies solely in the right to repossess the equipment in the event of default.

Equipment Lease – US Cellular Cell Tower License: the City recorded a lease liability in the amount of \$48,941. 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 November 30, 2025, with one five year option to renew, which has been included in the lease term for purposes of applying the new standard. Monthly payments to U.S. Cellular during the 22-23 fiscal year were \$509.24 through November 30, 2022 and increasing five percent to \$534.70 effective December 1, 2022, for the City's right to use the cell tower. Monthly payments increase by five percent each year effective December 1 through the end of the lease term, including options to renew. The balance of the lease liability at June 30, 2023 was \$43,296. 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 \$667,149 was from the California Energy Commission for assistance with purchasing and installing the governmental portion of the renewable energy equipment. This loan is payable in semi-annual payments of principal and interest beginning on December 22, 2020 and continuing until June 22, 2038. 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 \$1,534,557 was from the following borrowings:

1) California Energy Commission with a balance at June 30, 2023, of \$627,557, which was 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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (continued)

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, 2023 was \$907,000. 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, 2023, the entire line of credit balance was unused.

Debt service requirements on long-term debt at June 30, 2023, are as follows:

Governmental Activities					
Capital Lease Obligations					
Year Ended June 30,	Principal		Interest		
2024	\$	48,787			7,754
2025		50,248			6,293
2026		51,752			4,789
2027		53,302			3,240
2028		54,898			1,644
	\$	258,987	\$		23,720
Governmental Activities					
Lease Liabilities					
Year Ended June 30,	Principal		Interest		
2024	\$	13,589	\$		4,017
2025		10,343			3,010
2026		4,758			2,523
2027		5,504			2,141
2028		6,326			1,700
2029-2031		19,155			1,884
	\$	59,675	\$		15,275
Notes from Direct Borrowings					
Year Ended June 30,	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	
2024	\$ 41,442	\$ 6,568	\$ 138,982	\$ 6,178	
2025	41,857	6,153	139,373	5,788	
2026	42,277	5,733	139,768	5,393	
2027	42,701	5,309	140,167	4,994	
2028	43,129	4,881	140,569	4,591	
2029-2033	222,216	17,833	616,029	16,775	
2034-2038	233,527	6,521	219,669	6,134	
	\$ 667,149	\$ 52,998	\$ 1,534,557	\$ 49,853	

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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, 2022, 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, 2022, actuarial valuation report for the CalPERS **Miscellaneous** and **Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS’ annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan**’s actuarially determined rate is the estimated amount necessary to pay the **Plan**’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2022 (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)	6.920%	6.750%
Employer	8.650%	7.590%
Safety		
Employee (Charged)	7.000%	10.000%
Employee (Effective)	6.950%	10.000%
Employer	14.810%	11.113%

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 2021–2022 from the June 30, 2021, funding valuation report.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9. PENSION PLAN (continued)

¹ The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2022, valuation use the results of 2021 CalPERS Experience Study and Review of Actuarial Assumptions, including updates to salary increases, mortality, and retirement rates, as a basis. Employers should refer to CalPERS' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, to obtain the required supplementary information for proper financial reporting.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

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

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

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

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

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

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the **Plan**. The EARSL for PERF C for the June 30, 2022, measurement date is 3.7 years.

CalPERS derived the EARSL by dividing the total service years of 574,665 (the sum of remaining service lifetimes of all active employees) by 153,587 (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, 2022 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency **Miscellaneous** and **Safety Risk Pools**, which together provide additional financial and actuarial information required for GASB 68 disclosures.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9. PENSION PLAN (continued)

Allocation of Net Pension Liability and Pension Expense to Individual Plans

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

1. In determining a cost-sharing plan's proportionate share, CalPERS' staff calculated the total amounts of liabilities and assets for the risk pool on the valuation date (June 30, 2021). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
2. Using standard actuarial roll-forward methods, the staff then calculated the risk-pool TPL at the measurement date (June 30, 2022). The staff then subtracted the risk-pool FNP at the measurement date from this number to determine the NPL for the risk pool at the measurement date.
3. We calculated the individual plan's TPL, FNP, and NPL at the valuation date. We calculated this and the subsequent steps each risk pool separately.
4. We calculated two ratios by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
5. The plan's TPL as of the Measurement Date is equal to the risk-pool TPL generated in (2), multiplied by the TPL ratio generated in (4).
6. The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4), plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
7. The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).
8. We combined the results from each risk pool for the results in this report.

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.

Each plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4). Each plan's proportionate share of risk-pool pension expense is the sum of the related proportionate shares of the components of the aggregate pension expense.

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

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, 2023, the contributions recognized as part of pension expense for each **Plan** were as follows:

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of each **Plan** as follows:

Proportionate Share of Net Pension Liability	
Miscellaneous	\$ 1,991,947
Safety	1,752,801
Total Net Pension Liability	\$ 3,744,748

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9. PENSION PLAN (continued)

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, 2022, 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, 2021 rolled forward to June 30, 2022 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 and 2022 measurement dates were as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2021	0.04231%	0.02142%	0.02876%
Proportion - June 30, 2022	0.04257%	0.02551%	0.03242%
Change - Increase/(Decrease)	0.00026%	0.00409%	0.00366%

For the year ended June 30, 2023, the City recognized pension expense of \$513,673.

At June 30, 2023, 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, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 380,852	\$ -
Differences between actual and expected experience	112,544	45,826
Difference between projected and actual earnings on pension plan investments	641,664	-
Differences between the employer's proportionate share of contributions	-	343,491
Change in employer's proportion	327,814	-
Pension contributions subsequent to measurement date	475,321	-
Total	\$ 1,938,195	\$ 389,317

The \$475,321 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 measurement 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:	
2023	\$285,743
2024	251,679
2025	144,120
2026	392,015
2027	-
Thereafter	-

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions, the **Plan's** fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9. PENSION PLAN (continued)

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% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Miscellaneous	\$3,118,275	\$1,991,947	\$1,065,259
Safety	2,758,563	1,752,801	930,818
Total	\$5,876,838	\$3,744,748	\$1,996,077

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.

Long-term Expected Rate of Return

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. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10^{1,2}
Global equity - cap-weighted	30.0%	4.45%
Global equity non-cap-weighted	12.0	3.84
Private Equity	13.0	7.28
Treasury	5.0	0.27
Mortgage-backed Securities	5.0	0.50
Investment Grade Corporates	10.0	1.56
High Yield	5.0	2.27
Emerging Market Debt	5.0	2.48
Private Debt	5.0	3.57
Real assets	15.0	3.21
Leverage	(5.0)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

Payable to the Pension Plan

The City did not have any current amounts payable to the pension plan at June 30, 2023.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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.

Changes Since Prior Valuation

There are no plan provision changes since the last full valuation. For a complete description of substantive plan provisions, refer to the City of Weed GASB 75 Disclosures for fiscal year ending June 30, 2022 report. Roll-forward valuation results shown in this report have been projected from the prior year's valuation, with adjustments for actual premium and contribution changes since the prior year.

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.

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 monthly PEMHCA minimum amounts are \$143, \$149, and \$151 for 2021 to 2023, respectively. 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: \$ 29,978

(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, 2022.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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

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	2.30%
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	3.69%
Healthcare trend rates	Based on 2021 Getzen that reflects actual premium increases through 2023 ¹ , followed by 5.50% in 2023, decreasing gradually to an ultimate rate of 4.04% by 2075 for non-Medicare and 3.50% for all years for Medicare

¹ Actual premium increases from 2021 to 2022 reflected in last year's valuation and from 2022 to 2023 used in this roll-forward report are as follows:

	From 2021 to 2022		From 2022 to 2023			
	Active	Retirees	Active		Retirees	
			Member	Spouse	Member	Spouse
Non-Medicare	9.30%	0.00%	9.70%	14.30%	3.30%	13.40%
Medicare (PEMHCA only)	4.20%	4.20%	1.30%	1.30%	1.30%	1.30%

Changes Since Prior Valuation

1. The Single Equivalent Discount Rate (SEDR) has been increased from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022 based on updated municipal bond index, which caused a decrease in the liability.
2. Second year health care trend rates have been updated to reflect actual premium increases from 2022 to 2023 as shown in the table above, which caused 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.

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 3.69% as of June 30, 2022.

The final equivalent single discount rate for accounting disclosure as of June 30, 2022 is 3.69%.

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).

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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

Actuarial Assumptions (continued)

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.

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.

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

Schedule of Changes in Total OPEB Liability

Changes in the TOL as of the June 30, 2022 Measurement Year is as follows:

Changes in the Total OPEB Liability	Increases (Decreases) Total OPEB Liability
Balance as of report date June 30, 2022	\$ 1,100,815
Changes for the year:	
Service cost	108,961
Interest	22,941
Changes in benefit terms	-
Differences between expected and actual experience	(21,606)
Changes of assumptions or other inputs	(258,830)
Benefit payments	(4,089)
Implicit rate subsidy estimated	(25,889)
Administrative expenses	-
Net changes	(178,512)
Balance as of report date June 30, 2023	\$ 922,303

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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

OPEB Expense

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

OPEB Expense		
Fiscal Years	2022/23	2021/22
SEDR as of beginning of year	1.92%	2.45%
SEDR as of end of year	3.69%	1.92%
Service cost	\$ 108,961	\$ 81,722
Interest on TOL and Service Cost	22,941	20,105
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	(14,124)	(11,723)
Changes of assumptions or other inputs	(14,174)	14,585
Net difference between the projected and actual earnings on OPEB Plan investments	-	-
Other	-	-
Total current period recognition	\$ (28,298)	\$ 2,862
OPEB Expense	\$ 103,604	\$ 104,689

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, 2022.

	1% Decrease	Discount Rate	1% Increase
	2.69%	3.69%	4.69%
Total OPEB liability (asset)	\$ 1,057,085	\$ 922,303	\$ 811,129
Increase (decrease)	134,782		(111,174)
% Change	14.6%		-12.1%

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, 2022.

	Healthcare		
	1% Decrease	Trend Rates¹	1% Increase
Total OPEB liability (asset)	\$ 776,509	\$ 922,303	\$ 1,107,783
Increase (decrease)	(145,794)		185,480
% Change	-15.8%		20.1%

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

Periods	1% Decrease	Baseline	1% Increase
Non-Medicare	Actual premium increases through 2023 less 1% followed by 4.50% decreasing to 3.04% ultimate rate by 2075	Actual premium increases through 2023 followed by 5.50% decreasing to 4.04% ultimate rate by 2075	Actual premium increases through 2023 plus 1% followed by 6.50% decreasing to 5.04% ultimate rate by 2075
Medicare	3.20% followed by 0.30% and then by 2.50% for all subsequent years	4.20% followed by 1.30% and then by 3.50% for all subsequent years	5.20% followed by 2.30% and then by 4.50% for all subsequent years

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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	\$ 164,347	\$ (196,321)
Changes of assumptions or other inputs	98,169	(230,409)
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	14,212 ¹	-
Total	\$ 276,728	\$ (426,730)

¹ Based on actual benefit payment of \$14,212 (including implicit subsidy credit).

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

Measurement Period Ending June 30:	Amount
2023	\$ (28,298)
2024	(28,298)
2025	(28,298)
2026	(28,074)
2027	(28,026)
Thereafter	\$ (23,220)

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 \$353,494, consisting of noncurrent receivables (\$286,122) and prepaid expenses (\$67,372), Restricted Fund Balance of \$7,576 restricted for fund purposes of public safety and parks maintenance, and an Unassigned Fund Balance of \$3,181,262 at June 30, 2023.

Other Major Funds

The Community Development Project Income Fund has Non-spendable Fund Balance of \$872,340 consisting of noncurrent receivables and an Unassigned Fund Balance of \$253,043 at June 30, 2023.

The Boles Fire Fund has a Restricted Fund Balance of \$259,882 restricted for on-going mitigation efforts at June 30, 2023.

Other Funds

Other governmental (non-major) funds have Restricted Fund Balance of \$850,515 restricted for fund purposes for streets and roads improvements (\$587,872) and public safety (\$262,643), and an Assigned Fund Balance of \$93,987 for special projects at June 30, 2023.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

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.

NOTE 13. PRIOR PERIOD ADJUSTMENT

The City's General Fund and the WPD Forfeiture Seizure Fund, as well as the Governmental Activities, had prior period adjustments related to the following:

Fund Balance Increase (Decrease)

1. Prior period adjustment to record 21-22 SCORE DAP refund	\$ 48,660
2. Prior period adjustment to record the beginning balance in the City's police forfeiture seizure fund's bank account	83,133
Net impact on the Fund Balance: Increase	\$ 131,793

IMPACT ON:

FUND BALANCE

	General Fund	WPD Forfeiture Seizure Fund
Fund Balance - July 1, 2022 - as previously reported	\$ 1,681,878	\$ -
1. Prior period adjustment to record 21-22 SCORE DAP refund	48,660	-
2. Prior period adjustment to record the beginning balance in the City's police forfeiture seizure fund's bank account	-	83,133
Net Impact on Fund Balance: Increase	48,660	83,133
Fund Balance - July 1, 2022 - as Restated	\$ 1,730,538	\$ 83,133

GOVERNMENTAL ACTIVITIES

Net Position - July 1, 2022 - as previously reported	\$ 23,018,737
Prior Period Adjustments	
1. Prior period adjustment to record 21-22 SCORE DAP refund	48,660
2. Prior period adjustment to record the beginning balance in the City's police forfeiture seizure fund's bank account	83,133
3. Prior period adjustment to record the right-to-use asset and related lease liability for the cell tower lease	(2,169)
Net Impact on the Net Position: Increase	129,624
Net Position - July 1, 2022 - as Restated	\$ 23,148,361

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, 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. These changes were incorporated in the City's 2023 financial statements, but had no effect on the beginning net position of the Governmental Activities or the Business-Type Activities as the City had no arrangements that applied to this new standard.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2023

NOTE 15. SUBSEQUENT EVENTS

As of August 31 2024, the date in which the financial statements were available to be issued and the issuance date, the City's City Council and management have reviewed the financial statements and they are not aware of any events that have occurred subsequent to the balance sheet date and through the date of the independent auditor's report that would require adjustments to or disclosure in the financial statements.

NOTE 16. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with IRS Code Section 457. Amounts deferred by employees and the related income are held in trust by the plan provider for the exclusive benefit of the participants and their beneficiaries. The amounts are not owned by the City, nor are they available to the City's creditors. The Plan is funded solely by the employees' voluntary contributions to the Plan up to the limits prescribed by the IRS. The City does not match employee contributions; therefore, no expense is reported with respect to this plan.

Under the provisions of GASB Statement No. 84, Fiduciary Activities, which has superseded GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the City is not required to report the value of the plan assets since the assets are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the values of the plan assets and any related liability to plan participants have been excluded from the City's financial statements.

NOTE 17. AGREEMENTS

The City has an agreement with the Weed Recreation and Parks District to provide services to the City for various pools and parks within City limits that are owned by the City. The District receives public utilities provided by the City at no charge to the District as payment for these services.

NOTE 18. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – the annual budget is adopted on a basis consistent with generally accepted accounting principles for all major Governmental funds of the City and significant non-major Governmental funds. The budget is adjusted throughout the year as necessary.

Excess of expenditures over appropriations – for the year ended June 30, 2023, expenditures exceeded appropriations for the General Fund by \$561,737 primarily due to approved but unbudgeted capital outlay expenditures. These excess expenditures were entirely offset by unexpected revenues that exceeded budgeted revenues by \$768,134.

NOTE 19. EXTRAORDINARY ITEMS

During September 2022, the City experienced the devastating effects of the Mill Fire which destroyed City homes and infrastructure , as well as causing hardship and financial loss to the City and it's citizenry. As a result of the fire which started at the Roseburg Forest Product's mill, the City and Roseburg Forest Products reached a settlement to reimburse the City for financial loss and pay for repairs to the infrastructure. The gross settlement was for \$7,250,000 less attorney fees and holdbacks for other expenses. The net proceeds to the City was \$6,808,335, of which \$47,123 is deferred for pending CalOES and FEMA projects, and \$4,530,000 is deferred for City infrastructure projects. This revenue will be recognized as revenue in future years as the projects are completed. The remaining \$2,231,212 has been recognized as revenue in the current year. In addition to that received from Roseburg Forest products, the City also received \$31,698 from the State for fire fighting services related to the Mill Fire.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF WEED
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 442,407	\$ 442,407	\$ 482,920	\$ 40,513
Sales and use taxes	1,683,716	1,683,716	1,753,596	69,880
Transient occupancy taxes	328,500	328,500	371,528	43,028
Franchise and other taxes	530,100	530,100	514,898	(15,202)
Licenses and permits	22,000	22,000	23,705	1,705
Fines, forfeitures and penalties	9,000	9,000	9,703	703
Intergovernmental revenues	356,461	356,461	508,945	152,484
Covid library relief	-	-	20,000	20,000
Charges for services	123,700	123,700	448,666	324,966
Use of money and property	10,000	10,000	13,934	3,934
Other	55,400	55,400	181,523	126,123
Total Revenues	3,561,284	3,561,284	4,329,418	768,134
EXPENDITURES				
Current:				
General government	1,256,892	1,256,892	846,272	410,620
Police protection	1,541,268	1,541,268	1,704,126	(162,858)
Fire protection	467,795	467,795	744,017	(276,222)
Public works	577,422	577,422	481,732	95,690
Community and economic development	109,020	109,020	122,511	(13,491)
Library	38,250	38,250	80,407	(42,157)
Bad debt (recovery)	-	-	(3,000)	3,000
Other	-	-	11,329	(11,329)
Capital outlay	60,000	60,000	656,766	(596,766)
Debt service:				
Principal	138,265	138,265	100,504	37,761
Interest	13,903	13,903	19,888	(5,985)
Total Expenditures	4,202,815	4,202,815	4,764,552	(561,737)
Excess of Revenues over Expenditures	(641,531)	(641,531)	(435,134)	206,397
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	172	172
Proceeds from debt financing	-	-	-	-
Operating transfers in (out)	788,660	788,660	(16,154)	(804,814)
Total Other Financing Sources (Uses)	788,660	788,660	(15,982)	(804,642)
Excess of Revenues Over (Under) Expenditures Before Extraordinary Items	147,129	147,129	(451,116)	(598,245)
EXTRAORDINARY ITEMS				
Roseburg Mill Fire settlement funds	-	-	2,231,212	(2,231,212)
Mill Fire relief funds	-	-	31,698	(31,698)
Total Extraordinary Items	-	-	2,262,910	(2,262,910)
Change in Fund Balance	147,129	147,129	1,811,794	(598,245)

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, 2023

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Use of money and property	\$ 118,000	\$ 118,000	\$ 13,832	\$ (104,168)
Other	200	200	-	(200)
Total Revenues	118,200	118,200	13,832	(104,368)
EXPENDITURES				
Current:				
Community and economic development	3,500	3,500	4,160	(660)
Bad debt (recovery)	-	-	(16,000)	16,000
Total Expenditures	3,500	3,500	(11,840)	15,340
Excess of Revenues over Expenditures	114,700	114,700	25,672	(119,708)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	(138,951)	(138,951)
Change in Fund Balance	114,700	114,700	(113,279)	(258,659)

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, 2023

	Original Budget		Final Budget		Actual Amounts		Favorable (Unfavorable) Variance With Final Budget
REVENUES							
Intergovernmental revenues	\$	-	\$	-	\$	-	\$ -
Other		-		-		-	-
Total Revenues		-		-		-	-
EXPENDITURES							
Current:							
Community and economic development		-		-		774	(774)
Total Expenditures		-		-		774	(774)
Change in Fund Balance		-		-		(774)	774

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

CITY OF WEED
Cost Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2023
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	2022
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%	0.03242%
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	\$ 3,744,748
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	\$ 1,695,568
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%	220.86%
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%	75.91%
Plan's proportionate share of aggregate employer contributions	\$ 226,977	\$ 298,948	\$ 301,035	\$ 319,540	\$ 352,985	\$ 408,108	\$ 490,481	\$ 585,935	\$ 694,205

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

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

CITY OF WEED
Cost Sharing Multiple-Employer Defined Benefit Pension Plan
June 30, 2023
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	2022
Actuarially determined contribution ²	\$ 155,089	\$ 152,981	\$ 203,195	\$ 233,055	\$ 273,500	\$ 332,877	\$ 341,897	\$ 362,578	\$ 406,994
Contributions in relation to the actuarially determined contributions	155,089	152,981	203,195	233,055	273,500	332,877	341,897	362,578	406,994
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	\$ 1,695,568
Contributions as a percentage of covered payroll	12.35%	12.13%	14.41%	16.08%	17.12%	19.07%	18.57%	22.91%	24.00%

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, 2023
Last 10 Years ¹

Schedule of Changes in Net OPEB Liability

	Measurement Date: Report Date:	June 30, 2017 June 30, 2018	June 30, 2018 June 30, 2019	June 30, 2019 June 30, 2020	June 30, 2020 June 30, 2021	June 30, 2021 June 30, 2022	June 30, 2022 June 30, 2023
Total OPEB Liability (TOL)							
Service cost	\$	57,453	\$ 59,105	\$ 60,006	\$ 69,259	\$ 81,722	\$ 108,961
Interest on TOL and Service Cost		26,690	29,005	31,788	22,496	20,105	22,941
Changes in benefit terms		-	-	-	-	-	-
Differences between expected and actual experience		-	(1,356)	(304,506)	(441)	205,435	(21,606)
Changes of assumptions or other inputs		-	(868)	64,767	14,610	63,348	(258,830)
Benefit payments, including implicit subsidy payment		(20,464)	(21,131)	(25,620)	(15,824)	(17,276)	(29,978)
Net Change in Total OPEB Liability		63,679	64,755	(173,565)	90,100	353,334	(178,512)
Total OPEB Liability - Beginning of Year		702,512	766,191	830,946	657,381	747,481	1,100,815
Total OPEB Liability - End of Year	\$	766,191	\$ 830,946	\$ 657,381	\$ 747,481	\$ 1,100,815	\$ 922,303
Plan Fiduciary Net Position (FNP)							
Contributions - employer	\$	20,464	\$ 21,131	\$ 25,620	\$ 15,824	\$ 17,276	\$ 29,978
Contributions - employees		-	-	-	-	-	-
Benefit payments		(20,464)	(21,131)	(25,620)	(15,824)	(17,276)	(29,978)
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	\$ 922,303
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	\$ 1,621,992
Net OPEB Liability as a % of covered payroll		54.64%	57.67%	44.09%	48.79%	73.18%	56.86%

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, 2023
Last 10 Years ¹

Schedule of the Plan's Contributions

Measurement Year Ending June 30:	2017	2018	2019	2020	2021	2022
Employer's contractual contributions	\$ 20,464	\$ 21,131	\$ 25,620	\$ 15,824	\$ 17,276	\$ 29,978
Contributions in relation to the employer's contractual contributions	20,464	21,131	25,620	15,824	17,276	29,978
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's covered payroll	\$1,402,379	\$1,440,944	\$1,491,098	\$1,532,103	\$1,504,276	\$1,621,992
Contributions as a percentage of covered payroll	1.46%	1.47%	1.72%	1.03%	1.15%	1.85%

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, 2023

	Special Revenue Funds									
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	WPD Forfeiture Seizure Fund	Traffic Study Fund	STIP Fund	Total	
ASSETS										
Cash and investments	\$ 6,681	\$ 84,550	\$ 221,719	\$ 198,125	\$ 103,636	\$ 359,694	\$ 29,278	\$ 9,945	\$ 1,013,628	
Receivables (net of allowance for doubtful accounts):										
Intergovernmental	-	11,349	19,427	7,067	24,457	-	-	-	62,300	
Total Assets	\$ 6,681	\$ 95,899	\$ 241,146	\$ 205,192	\$ 128,093	\$ 359,694	\$ 29,278	\$ 9,945	\$ 1,075,928	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 78	\$ 34,051	\$ 97,051	\$ -	\$ -	\$ 131,180	
Accrued liabilities	-	-	-	191	55	-	-	-	246	
Total Liabilities	-	-	-	269	34,106	97,051	-	-	131,426	
Fund balances:										
Restricted for:										
Streets and roads	6,681	95,899	241,146	204,923	-	-	29,278	9,945	587,872	
Public safety	-	-	-	-	-	262,643	-	-	262,643	
Assigned for:										
Special projects	-	-	-	-	93,987	-	-	-	93,987	
Total Fund Balance	6,681	95,899	241,146	204,923	93,987	262,643	29,278	9,945	944,502	
Total Liabilities and Fund Balance	\$ 6,681	\$ 95,899	\$ 241,146	\$ 205,192	\$ 128,093	\$ 359,694	\$ 29,278	\$ 9,945	\$ 1,075,928	

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, 2023

	Special Revenue Funds									
	Traffic Congestion Relief Fund	RMRA Fund	Local Transportation Fund	Gas Tax Fund	Community Development Fund	WPD Forfeiture Seizure Fund	Traffic Study Fund	STIP Fund	Total	
REVENUES										
Intergovernmental revenues	\$ -	\$ 64,841	\$ 151,286	\$ 103,054	\$ -	\$ -	\$ -	\$ -	\$ 319,181	
Fines, forfeitures and penalties	-	-	-	-	-	277,188	-	-	277,188	
Transient occupancy taxes	-	-	-	-	92,456	-	-	-	92,456	
Other	-	-	-	-	57	-	-	-	57	
Total Revenues	-	64,841	151,286	103,054	92,513	277,188	-	-	688,882	
EXPENDITURES										
Current:										
Police protection	-	-	-	-	-	97,678	-	-	97,678	
Public works - streets & roads	-	-	-	146,190	-	-	-	-	146,190	
Community and economic development	-	-	-	-	113,128	-	-	-	113,128	
Public transportation	-	-	72,217	-	-	-	-	-	72,217	
Capital outlay	-	-	-	11,471	-	-	-	-	11,471	
Total Expenditures	-	-	72,217	157,661	113,128	97,678	-	-	440,684	
Excess of revenues over (under) expenditures	-	64,841	79,069	(54,607)	(20,615)	179,510	-	-	248,198	
Change in Fund Balances	-	64,841	79,069	(54,607)	(20,615)	179,510	-	-	248,198	
FUND BALANCE										
Beginning of Year, as Previously Reported	6,681	31,058	162,077	259,530	114,602	-	29,278	9,945	613,171	
Prior period adjustment	-	-	-	-	-	83,133	-	-	83,133	
Beginning of Year, as Restated	6,681	31,058	162,077	259,530	114,602	83,133	29,278	9,945	696,304	
End of Year	\$ 6,681	\$ 95,899	\$ 241,146	\$ 204,923	\$ 93,987	\$ 262,643	\$ 29,278	\$ 9,945	\$ 944,502	

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

OTHER SCHEDULES AND REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Weed, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weed, California as of and for the year ended June 30, 2023, 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 August 31, 2024.

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.

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

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. I identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items **2023-001** and **2023-002** that I consider to be material weaknesses.

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 are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item **2023-002**.

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.

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

Charles W. Pilon, CPA
Anderson, California

August 31, 2024

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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 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*.

Findings - Financial Statement Audit

2023-001 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 City 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) .

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

Cause: Due to the transition to a new Finance Director, the learning curve was extensive so there were numerous material misstatements found in the audit. These misstatements were due primarily because of the lack of effective internal controls over the financial close process under the former Finance Director.

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. There are no questioned costs associated with this finding.

Context: This is a repeat finding from the prior year audits of the fiscal years ending June 30, 2018 through 2022, and is considered pervasive.

Recommendation: Due to the extensive learning curve when assuming the role of City Finance Director, I recommend that the City should continue to 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 and Corrective Action Plan: The City agrees with the finding. The City has hired a Finance Director who is a CPA and has governmental finance experience. It is anticipated that after going through the recently completed audit for fiscal year 22-23, this will not be a finding in the 23-24 Audit.

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

2023-002 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 at the time of the funds request being generated, 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: In many instances, there was no reconciliation of grant reporting (primarily funds requests) to the general ledger in the accounting system before the funds request was sent for reimbursement, 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: Some grant reporting/funds requests were misstated resulting in unfunded project costs, which required additional year-end audit accruals, and project cost reports were submitted to various grantors with material misstatements. Material noncompliance with reporting occurred due to these misstatements and the lack of reconciliation to the accounting system.

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

Recommendation: I recommend the City ensure the accounting system reconciles to the grant reporting/funds requests without exception, before the request is sent to the grantor, 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 and Corrective Action Plan: The City agrees with the finding. 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. This was implemented during fiscal year 23-24.