

CITY OF WEED

Financial Statements

June 30, 2010

City of Weed, California

Table of Contents

Independent Auditor's Report	i
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets - Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities	6
Proprietary Funds:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund	S-2
CDBG/EDBG Fund	S-3
Note to the Required Supplementary Information	S-4
Schedule of Expenditures of Federal Awards	S-5
Notes to Schedule of Expenditures of Federal Awards	S-6
Schedule of Findings and Questioned Costs	S-7
Schedule of Prior Year Findings and Questioned Costs	S-8
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	S-9



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Weed, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Weed, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Weed, California's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our 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. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the business type activities, each major fund, and the aggregate remaining fund information of the City of Weed, California, as of June 30, 2010 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Governmental Auditing Standards, we have also issued a report dated December 10, 2012 on our consideration of City of Weed's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Weed, California's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and is not a required part of the financial statements. The schedules listed in the table of contents as supplementary information are also presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Weed, California. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Pavlik & Chitwood". The signature is written in dark ink and is positioned above the printed name of the firm.

Pavlik & Chitwood, LLP
Certified Public Accountants
December 10, 2012

City of Weed, California
Statement of Net Assets
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 442,804	\$ 319,995	\$ 762,799
Receivables (net):			
Accounts	172,282	113,949	286,231
Taxes	101,338		101,338
Intergovernmental	133,310	10,762	144,072
Loans	3,812,737		3,812,737
Due from other funds	46,862		46,862
Total current assets	<u>4,709,333</u>	<u>444,706</u>	<u>5,154,039</u>
Noncurrent Assets:			
Capital assets:			
Land	6,498,827	4,010,708	10,509,535
Buildings and equipment	11,598,008	12,257,017	23,855,025
Accumulated depreciation	<u>(5,015,696)</u>	<u>(3,268,807)</u>	<u>(8,284,503)</u>
Total noncurrent assets	<u>13,081,139</u>	<u>12,998,918</u>	<u>26,080,057</u>
Total assets	<u>17,790,472</u>	<u>13,443,624</u>	<u>31,234,096</u>
LIABILITIES			
Current liabilities:			
Accounts payable	147,196	33,422	180,618
Payroll payable	39,567	5,732	45,299
Accrued vacation pay payable	99,696	49,289	148,985
Utility deposits		44,341	44,341
Due to other funds		46,862	46,862
Long-term debt--due within one year		10,000	10,000
Total current liabilities	<u>286,459</u>	<u>189,646</u>	<u>476,105</u>
Noncurrent liabilities:			
Long-term debt--due in more than one year		64,000	64,000
Total noncurrent liabilities	<u>-</u>	<u>64,000</u>	<u>64,000</u>
Total liabilities	<u>286,459</u>	<u>253,646</u>	<u>540,105</u>
NET ASSETS			
Investment in capital assets, net of related debt	13,081,139	12,878,056	25,959,195
Unrestricted	<u>4,422,874</u>	<u>311,922</u>	<u>4,734,796</u>
Total net assets	<u>\$ 17,504,013</u>	<u>\$ 13,189,978</u>	<u>\$ 30,693,991</u>

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

City of Weed, California
Statement of Activities
For the Year Ended June 30, 2010

	Program Revenues			Net (Expenses Revenues and Changes in Net Assets)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Primary Government:							
Governmental activities:							
City council, administration & clerk	\$ 191,410	\$ 48,708			\$ (191,410)	\$	\$ (191,410)
General government	331,186	62,840	\$ 28,250		(282,478)		(282,478)
Fire	340,892	25,171			(249,802)		(249,802)
Police	1,259,763	54,027	\$ 118,635		(1,115,957)		(1,115,957)
Planning and development	195,295		242,554		101,286		101,286
Parks and recreation	9,913				(9,913)		(9,913)
Public works mechanical maint.	38,202			129,528	(38,202)		(38,202)
Streets & sidewalks	624,073				(494,545)		(494,545)
Interest on long-term debt	2,245				(2,245)		(2,245)
Total governmental activities	2,992,979	190,746	361,189	157,778	(2,283,266)	-	(2,283,266)
Business type activities:							
Water	758,342	294,801		28,000	\$ (435,541)	\$	(435,541)
Sewer	544,809	430,627			(114,182)		(114,182)
Solid Waste	451,988	442,406	5,000		(4,582)		(4,582)
Total business type activities	1,755,139	1,167,834	5,000	28,000	(554,305)		(554,305)
Total primary government	\$ 4,748,118	\$ 1,358,580	\$ 366,189	\$ 185,778	(2,283,266)	(554,305)	(2,837,571)
General revenues:							
Property taxes					665,622		665,622
Sales taxes					535,759		535,759
Transient lodging taxes					312,547		312,547
Franchise taxes					70,476		70,476
Fuel taxes					128,038		128,038
Intergovernmental revenue					60,115		60,115
Licenses and permits					8,426		8,426
Fines and forfeitures					24,951		24,951
Unrestricted investment earnings					1,855		1,855
Other					192,983		192,983
Transfers					(448,115)	448,115	-
Total general revenues and transfers					1,552,657	448,115	2,000,772
Change in net assets					(730,609)	(106,190)	(836,799)
Net assets - beginning of year					18,234,622	13,296,168	31,530,790
Net assets - end of year					\$ 17,504,013	\$ 13,189,978	\$ 30,693,991

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

City of Weed, California
 Balance Sheet
 Governmental Funds
 June 30, 2010

	Major Funds		Other Governmental Funds	TOTAL Governmental Funds
	General	CDBG/EDBG Fund		
ASSETS				
Cash and investments	\$ 205,640		\$ 237,164	\$ 442,804
Receivables:				
Accounts	172,282			172,282
Taxes	85,102		16,236	101,338
Intergovernmental & Grants	22,883		110,427	133,310
Loans, net		\$ 3,812,737		3,812,737
Due from other funds		706,808	219,394	926,202
TOTAL ASSETS	\$ 485,907	\$ 4,519,545	\$ 583,221	\$ 5,588,673
LIABILITIES and FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 127,872	\$ 19,324		\$ 147,196
Payroll payable	39,567			39,567
Accrued vacation	99,696			99,696
Due to other funds	659,946	219,394		879,340
Deferred revenue - loans		3,812,737		3,812,737
TOTAL LIABILITIES	927,081	4,051,455	-	4,978,536
FUND BALANCES:				
Unreserved:				
Designated for:				
Community development	7,247	468,090	\$ 116,144	591,481
Police	2,566			2,566
Fire	2,565			2,565
Road maintenance	3,146		467,077	470,223
Undesignated reported in:				
General fund	(456,698)			(456,698)
TOTAL FUND BALANCES	(441,174)	468,090	583,221	610,137
TOTAL LIABILITIES and FUND BALANCES	\$ 485,907	\$ 4,519,545	\$ 583,221	\$ 5,588,673

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

City of Weed, California

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets

Governmental Funds

June 30, 2010

Total governmental fund Balances (page 3)	\$ 610,137
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,081,139
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.	
Deferred Revenue - loans	<u>3,812,737</u>
Net assets of governmental activities (page 1)	<u>\$ 17,504,013</u>

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

City of Weed, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	<u>CDBG/EDBG Fund</u>	<u>Other Governmental Funds</u>	
REVENUES				
Property taxes	\$ 665,622			\$ 665,622
Sales taxes	535,759			535,759
Transient lodging taxes	250,038		\$ 62,509	312,547
Franchise fees	70,476			70,476
Fuel taxes			128,038	128,038
Licenses and permits	8,426			8,426
Charges for services	99,227			99,227
Fines and forfeitures	24,951			24,951
Intergovernmental	2,512		57,603	60,115
Unrestricted investment earnings	753	\$ 1,102		1,855
Grants and donations	276,413	242,554		518,967
Other	241,691	155,511		397,202
Total revenues	<u>2,175,868</u>	<u>399,167</u>	<u>248,150</u>	<u>2,823,185</u>
EXPENDITURES				
City council, administrator & clerk	191,410			191,410
General government	303,224			303,224
Fire	260,526			260,526
Police	1,277,568			1,277,568
Planning and development	43,693	273,413	63,138	380,244
Parks, culture and recreation	41			41
Streets and sidewalks	575,096		72,702	647,798
Debt service:				
Principal	31,922			31,922
Interest	2,245			2,245
Total expenditures	<u>2,685,725</u>	<u>273,413</u>	<u>135,840</u>	<u>3,094,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(509,857)</u>	<u>125,754</u>	<u>112,310</u>	<u>(271,793)</u>
OTHER FINANCING SOURCES AND (USES)				
Operating transfers in	82,822		377,500	460,322
Operating transfers out		(795,894)	(112,543)	(908,437)
Total other financing sources and (uses)	<u>82,822</u>	<u>(795,894)</u>	<u>264,957</u>	<u>(448,115)</u>
Net change in fund balances	(427,035)	(670,140)	377,267	(719,908)
Fund balances - beginning of year	(14,139)	1,138,230	205,954	1,330,045
Fund balances - end of year	<u>\$ (441,174)</u>	<u>\$ 468,090</u>	<u>\$ 583,221</u>	<u>\$ 610,137</u>

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

City of Weed, California

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds (page 5) \$ (719,908)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeded depreciation expense for the current period.

Expenditures for capital assets	\$ 192,583	
Less current year depreciation	<u>(307,455)</u>	(114,872)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Principal payments 31,923

Governmental funds report EDBG & CDBG loans as expenditures when the loan is made and report the principal and interest payments as revenue when received. However, in the statement of activities, the loan is recorded as an asset which is reduced by the amount of principal payment that is received during the year. The statement of activities report the interest revenue when it is earned and records bad debt expense when a loss is recognized. 72,248

Change in net assets of governmental activities (page 2) \$ (730,609)

CITY OF WEED, CALIFORNIA
Statement of Net Assets
 Enterprise Funds
 June 30, 2010

ASSETS	Water	Sewer	Solid Waste	Total
Current:				
Cash and Investments	\$ 41,992	\$ 247,365	\$ 30,638	\$ 319,995
Accounts Receivable	27,063	37,911	48,975	113,949
Capital Grants Receivable	10,762			10,762
Total Current Assets	79,817	285,276	79,613	444,706
Noncurrent:				
Land	24,090	3,986,618		4,010,708
Depreciable Capital Assets	6,297,365	5,959,652		12,257,017
Accumulated Depreciation	(1,421,620)	(1,847,187)		(3,268,807)
Total Noncurrent Assets	4,899,835	8,099,083	-	12,998,918
Total Assets	4,979,652	8,384,359	79,613	13,443,624
LIABILITIES				
Current:				
Accounts Payable	11,763	4,189	17,470	33,422
Payroll Payable	3,591	2,141		5,732
Compensated Absences	19,569	19,840	9,880	49,289
Current Portion of Long-Term Debt		10,000		10,000
Utility Deposits	44,341			44,341
Due to Other Funds	18,597	28,265		46,862
Total Current Liabilities	97,861	64,435	27,350	189,646
Noncurrent:				
Long-Term Debt, Net of Current		64,000		64,000
Total Noncurrent Liabilities	-	64,000	-	64,000
Total Liabilities	97,861	128,435	27,350	253,646
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,881,238	7,996,818		12,878,056
Unrestricted	553	259,106	52,263	311,922
Total Net Assets	\$ 4,881,791	\$ 8,255,924	\$ 52,263	\$ 13,189,978

See accompanying notes to the financial statement

CITY OF WEED, CALIFORNIA

Statement of Revenue, Expenses and Changes in Fund Net Assets

Enterprise Funds

For the Year Ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:				
User Fees and Charges	\$ 294,801	\$ 430,627	\$ 442,406	\$ 1,167,834
Operating grant			5,000	5,000
Total Operating Revenues	<u>\$ 294,801</u>	<u>\$ 430,627</u>	<u>\$ 447,406</u>	<u>\$ 1,172,834</u>
Operating Expenses:				
Cost of Power and Water	38,320	65,021		103,341
Maintenance, Operations and Administration	339,330	342,975	451,988	1,134,293
Depreciation	112,810	132,613		245,423
Total Operating Expenses	<u>490,460</u>	<u>540,609</u>	<u>451,988</u>	<u>1,483,057</u>
Operating Income (Loss)	<u>(195,659)</u>	<u>(109,982)</u>	<u>(4,582)</u>	<u>(310,223)</u>
Non-Operating Revenues (Expenses):				
Transfer From (To) Other Funds	451,315	(3,200)		448,115
Change in Accounting Estimate	(267,882)			(267,882)
Interest Expense		(4,200)		(4,200)
Total Non-Operating Revenues (Expenses)	<u>183,433</u>	<u>(7,400)</u>	<u>-</u>	<u>176,033</u>
Net Income (Loss) Before Capital Grants and Capital Contributions	<u>(12,226)</u>	<u>(117,382)</u>	<u>(4,582)</u>	<u>(134,190)</u>
Capital Grants and Contributions:				
Capital Grants	28,000			28,000
Total Capital Grants and Contributions	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>
Change in Net Assets	<u>15,774</u>	<u>(117,382)</u>	<u>(4,582)</u>	<u>(106,190)</u>
Total Net Assets - Beginning of Year	<u>4,866,017</u>	<u>8,373,306</u>	<u>56,845</u>	<u>13,296,168</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 4,881,791</u>	<u>\$ 8,255,924</u>	<u>\$ 52,263</u>	<u>\$ 13,189,978</u>

CITY OF WEED, CALIFORNIA

Statement on Cash Flows

Enterprise Funds

For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Receipts from Customers	\$ 310,062	\$ 420,944	\$ 430,545	\$ 1,161,551
Receipts from operating grant			5,000	5,000
Payments to Suppliers for Goods and Services	(202,841)	(257,524)	(449,815)	(910,180)
Payments for Employee Services and Benefits	(170,468)	(152,996)		(323,464)
Net Cash Provided (Used) by Operating Activities	<u>(63,247)</u>	<u>10,424</u>	<u>(14,270)</u>	<u>(67,093)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Advances from Other Funds	451,315	268,920	21,776	742,011
Advances to Other Funds	(1,031,312)	(3,200)		(1,034,512)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(579,997)</u>	<u>265,720</u>	<u>21,776</u>	<u>(292,501)</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Plant and System Improvements	(9,990)			(9,990)
Repay EDBG/CDBG Fund For Equip. Purchase	(7,223)	(14,579)		(21,802)
Principal Payments on Debts		(10,000)		(10,000)
Interest Payments on Debts		(4,200)		(4,200)
Capital Grants	660,258			660,258
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>643,045</u>	<u>(28,779)</u>	<u>-</u>	<u>614,266</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	-	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NET INCREASE (DECREASE) IN CASH

	(199)	247,365	7,506	254,672
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Cash and Cash Equivalents - Beginning

	42,191	-	23,132	65,323
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CASH AND CASH EQUIVALENTS - ENDING

	<u>\$ 41,992</u>	<u>\$ 247,365</u>	<u>\$ 30,638</u>	<u>\$ 319,995</u>
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RECONCILIATION OF OPERATING INCOME TO

NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (195,659)	\$ (109,982)	\$ (4,582)	\$ (310,223)
Adjustments:				
Depreciation	112,810	132,613		245,423
(Increase) Decrease in Assets:				
Accounts Receivable	13,111	(9,683)	(11,861)	(8,433)
Increase (Decrease) in Liabilities:				
Accounts Payable	7,523	(1,968)	1,923	7,478
Compensated Absences	(2,788)	563	250	(1,975)
Payroll Payable	(394)	(1,119)		(1,513)
Utility Deposits	2,150			2,150
Net Cash Provided (Used) by Operating Activities	<u>\$ (63,247)</u>	<u>\$ 10,424</u>	<u>\$ (14,270)</u>	<u>\$ (67,093)</u>

See accompanying notes to the financial statement

CITY OF WEED, CALIFORNIA

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applicable to state and local governments. The following is a summary of the significant accounting policies used by the City of Weed, California.

A. Reporting Entity

The City of Weed, California is legally incorporated under California municipal law, and is governed by a five member City Council. The City provides public safety (police and fire), streets and roads, water and sewer services, economic development, community development, parks and recreation and general administrative services.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in generally accepted accounting principals. 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 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements where practicable. Government activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

CITY OF WEED, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current time period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City of Weed, California reports the following major governmental funds:

General Fund – The general fund is the City’s primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

EDBG/CDBG Fund – This fund is used to account for federal block grants which must be spent for economic and community development.

CITY OF WEED, CALIFORNIA

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City of Weed, California reports the following major proprietary funds:

The Water Fund – This fund is used to account for the distribution of water within the City of Weed. User charges to customers based upon water consumption account for substantially all of the operating revenue in this fund.

The Sewer Fund – This fund is used to account for the transportation and treatment of waste water within the City of Weed. User charges to customers accounts for substantially all of the operating revenue of this fund.

Solid Waste Fund – This fund is used to account for the operation of the solid waste collection service within the city. User charges to customers account for substantially all of the operating revenue of this fund.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989, for the business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are interfund transfers between funds that if omitted would distort the financial statements.

Proprietary funds distinguishing operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF WEED, CALIFORNIA

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Investments

The City follows the practice of pooling cash resources, consisting of cash and investments, from all funds for the purpose of increasing income through investment activities. Interest earned on pooled cash resources is allocated among funds based on the individual funds computed average interest rate of all investments.

The City has adopted GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and For Investment Pools." Under GASB 31 investments are generally stated at fair value, rather than amortized cost, and increase or decrease in fair value of investments is included as a component of income.

E. Taxes Receivable

Property Taxes – The County of Siskiyou assesses, bills and collects property taxes for the City. The County property tax is levied each November 1 on the assessed valuation of property located in the County as of the preceding lien date. Taxes are receivable in two equal installments which become delinquent the first working day after December 10 and April 10. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Sales Tax – The State of California collects the City's portion (1%) of sales taxes collected from retail sales within the City. Sales tax receivable represents sales tax which is attributable to retail sales made before the end of the fiscal year but not yet remitted to the City.

CITY OF WEED, CALIFORNIA

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	5 years
Infrastructure	25 to 50 years
Waste and sewer mains	50 years
Vehicles	3 to 7 years

G. Accrued Vacation Pay

Employees are allowed to accumulate vacation in accordance with a memorandum of understanding. Depending on time of service, an employee is allowed to accumulate between 196 and 352 hours of earned but unused vacation pay benefits. Vacation pay and other earned but unpaid wages have been accrued in the government-wide and proprietary fund financial statements.

H. Long-term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources on the statement of revenues and expenditures while the amount outstanding is reported on the statement of net assets. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF WEED, CALIFORNIA

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Equity

Fund Balances – In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Net Assets – In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulation of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

J. Budgetary Data

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget represents a process through which policy decisions are made, implemented and controlled.

The budget is adopted by the City Council each year. The City Manager is authorized to make transfers of excess appropriations within a department; however, any revisions that alter the total expenditures of any fund requires City Council action. Expenditures may not legally exceed appropriations at the department level. Expending funds for which there is no legal appropriation is prohibited.

Budgetary data is presented in the required supplementary information section of the financial statements for the general fund and special revenue funds.

CITY OF WEED, CALIFORNIA
Notes to the Financial Statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Use of Estimates

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

L. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all U.S. Treasury Bonds and highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Cash and Investments

The Cash and investments as of June 30, 2010 are displayed in the statement of net assets as follows:

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 442,804	\$ 319,995	\$ 762,799

Cash and investment balances consisted of the following as of June 30, 2010:

Cash on hand	\$ 350
Deposits with financial institutions	758,825
Local Agency Investment Fund(LAIF)	3,624
Total	\$ 762,799

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held in separate accounts due to grant or bond agreements. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the various funds period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.