2. Cash and Investments (continued)

A. Cash Deposits

The carrying amounts of the City's cash deposits were $762,799 as of June 30, 2010. Bank balances before reconciling items were $847,614 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name

The market value of pledge securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150% to the City's total cash deposits. The City may waive collateral requirement for cash deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

B. Investments

Under the provisions of the California Government Code and the City's investment policy (which is more restrictive), the following investments are authorized:

- California Local Agency Investment Fund (LAIF).
- Passbook savings account and demand deposits.

LAIF is an external investment pool through which local governments may pool investments. Investment pool shares in LAIF may be converted to cash within twenty four hours. The pooled shares cost is equal to their fair value.

The City has compiled with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools. No current adjustments have been made to the accompanying financial statements for the City's investment in LAIF because the fair value of the City's pool shares are equal to their cost.

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

The City's investments with Local Agency Investment Fund (LAIF) on June 30, 2010 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- Structured Notes – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF had 23.98% of the pool investment funds in Structured Notes and Asset-Backed Securities on June 30, 2010

In accordance with California State statute, LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members. The fund is audited each year by the California State Treasurer.

As of June 30, 2010, the City had $3,624 invested in LAIF.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest 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 to changes in market interest rates. The City's investment policy does not specifically address interest rate risk.

Information regarding the sensitivity of fair values of the City's investment to market interest rate fluctuations is provided by the following table of the City's investments by maturity:

Investment type	6 Months or Less	6 Months to 1 Year	1 to 3 Years	more than 3 years	Total Investments	Fair Value
LAIF	$ 3,624	$ -	$ -	$ -	$ 3,624	$ 3,624

2. CASH AND INVESTMENTS (continued)

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by ratings assigned by nationally recognized rating organizations.

As of June 30, 2010 all of the City's investments in the amount of $3,624 are on deposit with LAIF. LAIF has not been assigned a credit risk rating by a nationally recognized rating organization.

Concentration of Credit Risk:

The City's investment policy does not limit the amount that can be invested with any single issuer. Investments in any single issuer the represent 5% or more of total City investments are as follows.

	Fair Value
Investment in LAIF	$ 3,624

E. Custodial Credit Risk

Custodial credit risk for deposits is addressed earlier with respect to Federal depository insurance and collateral. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker or dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of June 30, 2010, the City's deposits and investments were not exposed to custodial credit risk.

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments at June 30, 2010:

	Cash and Investments (carrying value)	Fair Value of Investments
Petty cash	$ 350	
Cash in bank - checking	758,825	
Cash in State Treasurer's Local Agency Investment Fund	3,624	$ 3,624
Total Cash	762,799	
Total Investments	-	$ 3,624
Total Cash and Investments Per Financial Statement	$ 762,799	

Financial statement cash and investment balances are comprised of the following:

Governmental activities - Cash and invest.	$ 442,804
Business type activities - Cash and invest.	319,995
Total Cash and Investments Per Financial Statement	$ 762,799

The City maintains a cash and investment pool that includes cash balances and authorized investment of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end and investment balances in these funds.

3. LOANS RECEIVABLE

The City had the following loans receivable as of June 30, 2010:

Community development loan program	$ 2,400,940
Economic development loan program	1,411,797
Total per financial statement	$ 3,812,737

The City administers an economic development loan program using Community Development Act funds. Businesses meeting the programs requirements are eligible to receive low interest loans, secured by deeds of trust, for the creation or expansion of their business.

At June 30, 2010 the City had outstanding loans of $3,812,737 with an allowance of $3,895 for uncollectible accounts. During the year ended June 30, 2010 the City received $112,700 in repayments from the program participants, loaned $188,843 to program participants.

In the governmental fund financial statements, these loans are reported as expenditures when disbursed and as revenues when repaid. Loans receivable are offset by deferred revenue as they are not expected to be repaid immediately.

4. INTERFUND ASSETS AND LIABILITIES

The following is a summary of interfund assets and liabilities as of June 30, 2010:

Fund	Due From Asset	Due To Liability
General Fund		$ 659,946
CDBG/EDBG Funds	$ 706,808	219,394
Other Governmental Funds	219,394	
Business-type Activities:		
Water Fund		18,597
Sewer Fund		28,265
Totals	$ 926,202	$ 926,202

The interfund assets and liabilities are the result of the following:

1. Loans made by the CDBG/EDBG fund for equipment purchases in the general fund, water fund and sewer fund. The Monies loaned are from unrestricted program income and are scheduled to be paid back over a period of five years thru interfund transfers.
2. Loan made by the Other Governmental Funds to cover the negative cash balance in the CDBG/EDBG fund.

5. INTERFUND TRANSFERS IN/(OUT)

Interfund transfers for the year ended June 30, 2010 were as follows:

Transfers (out)	Transfers In	Transfers Out
General Fund	$ 82,822	
CDBG/EDBG Fund		$ 795,894
Other Governmental Funds	377,500	112,543
Enterprise Fund - Water	451,315	
Enterprise Fund - Sewer		3,200
Totals	$ 911,637	$ 911,637

The interfund transfers were made in order to:

1. Pay the general funds portion of streets and road expenses that are funded thru gas taxes.
2. Cover the final cost of construction for water fund and sewer fund improvements.
3. Reclassify state proposition 1b monies to other governmental funds.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 consisted of the following:

	Primary Government			
	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 80,420		$ 80,420	$ -
Land and land improvements	6,416,831	$ 81,996		6,498,827
Total capital assets not being depreciated	6,416,831	-	-	6,498,827
Capital assets, being depreciated:				
Buildings and structures	2,448,357			2,448,357
Machinery and equipment	2,393,379	36,886		2,430,265
Infrastructure:				
Drainage system	1,420,004			1,420,004
Street pavement system	5,145,261	154,121		5,299,382
Total capital assets being depreciated	11,407,001	191,007	-	11,598,008
Accumulated depreciation	(4,708,241)	(307,455)	-	(5,015,696)
Total capital assets being depreciated, net	6,698,760	(116,448)	-	6,582,312
Governmental activities capital assets, net	$ 13,115,591	$ (116,448)	$ -	$ 13,081,139

Depreciation Expense by Function:	
City council, administration & clerk	$ -
General government	27,962
Fire	80,366
Police	19,081
Planning and Development	-
Parks and recreation	9,872
Public works mechanical maintenance	38,202
Streets & sidewalks	131,972
Total	$ 307,455

6. CAPITAL ASSETS (continued)

Capital assets activity for the year ended June 30, 2010 consisted of the following: (continued)

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. All Capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

Capital asset activity for individual enterprise funds is as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Water system				
Capital assets, not being depreciated:				
Land	$ 14,100	$ 9,990		$ 24,090
Construction in progress	1,619,385		$1,619,385	-
Total capital assets, not being depreciated	1,633,485	9,990	1,619,385	24,090
Capital assets, being depreciated:				
Buildings and structures	70,589			70,589
Machinery and equipment	47,489			47,489
Water system	4,559,902	$1,619,385		6,179,287
Total capital assets being depreciated	4,677,980	1,619,385	-	6,297,365
Less accumulated depreciation:				
Buildings and structures	(49,510)	(1,318)		(50,828)
Machinery and equipment	(47,282)	(9,498)		(56,780)
Water system	(1,212,018)	(101,994)		(1,314,012)
Total accumulated depreciation	(1,308,810)	(112,810)	-	(1,421,620)
Total capital assets being depreciated, net	3,369,170	1,506,575		4,875,745
Water system capital assets, net	$ 5,002,655	$1,516,565	$1,619,385	$ 4,899,835

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Sewer system				
Capital assets, not being depreciated:				
Land	$ 3,986,618			$ 3,986,618
Construction in progress	-			-
Total capital assets, not being depreciated	3,986,618	-	-	3,986,618
Capital assets, being depreciated:				
Buildings and structures	230,785			230,785
Machinery and equipment	83,852			83,852
Sewer system	5,645,015			5,645,015
Total capital assets being depreciated	5,959,652	-	-	5,959,652
Less accumulated depreciation:				
Buildings and structures	(171,117)	$ (5,770)		(176,887)
Machinery and equipment	(43,320)	(13,943)		(57,263)
Sewer system	(1,500,137)	(112,900)		(1,613,037)
Total accumulated depreciation	(1,714,574)	(132,613)	-	(1,847,187)
Total capital assets being depreciated, net	4,245,078	(132,613)	-	4,112,465
Sewer system capital assets, net	$ 8,231,696	$ (132,613)	$ -	$ 8,099,083

7. LONG-TERM DEBT

The following is a summary of changes in general long-term obligations for the year ended June 30, 2010.

	Balance June 30, 2009	New Issues	Principal Payments	Balance June 30, 2010
Pierce GMC Fire Truck	$ 31,923		$ 31,923	$ -
Totals	$ 31,923	$ -	$ 31,923	$ -

The following is a summary of changes in Business-type Activities long-term obligations for the year ended June 30, 2010.

	Balance June 30, 2009	New Issues	Principal Payments	Balance June 30, 2010
SEWER FUND				
System Upgrade	$ 84,000		$ 10,000	$ 74,000
Totals	$ 84,000	$ -	$ 10,000	$ 74,000

7. LONG-TERM DEBT (continued)

Long-term debt at June 30, 2010 consists of the following:

	Sewer Fund
Certificates of participation., unsecured. Issued December 30, 1977, bearing interest at 5%, Principal payments due January 1 annually thru 2017. Interest payment due January 1 and July 1 annually thru 2017.	$ 74,000
	74,000
Less: portion classified as current	(10,000)
Long-term obligations	$ 64,000

The aggregate maturities and interest payments on long-term debt over the succeeding years are summarized below:

Year ended June 30	Sewer Fund Principal	Sewer Fund Interest
2011	10,000	3,450
2012	10,000	2,950
2013	10,000	2,450
2014	10,000	1,950
2015	10,000	1,450
2016	12,000	900
2017	12,000	300
	$ 74,000	$ 13,450

8. 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. During the fiscal year ended June 30, 2010, the City contributed $124,277 for general liability coverage.

The Small Cities Organized Risk Effort covers workers' compensation claims up to the statutory limit. The City has no deductible for these claims. During the fiscal year ended June 30, 2010, the City contributed $128,794 for current year coverage.

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.

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.

The following represents summary audited financial information of S.C.O.R.E. general liability plan for the fiscal year ended June 30, 2010:

Total assets	$15,851,825
Total liabilities	$ 6,606,941
Net assets	$ 9,244,884
Total revenues	$ 4,096,844
Total expenses	$ 4,071,558
Refund to members/dividends (included in total expenses)	$ 1,967,766
Investment income	$ 475,348
Net increase in fund equity	$ 500,634

8. RISK MANAGEMENT (continued)

Audited financial information for the risk pool may be obtained from S.C.O.R.E. at:

S.C.O.R.E.
C/O Alliant Insurance Services, Inc.
1792 Tribute Road, Suite 450
Sacramento, CA 95815

9. PENSION PLAN

A. Plan Description: The City of Weed contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statue and city ordinance. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Fiscal Services Division, PO Box 942703, Sacramento, CA 94229-2703.

Funding Policy: Active plan members are required to contribute 7 % (miscellaneous) and 7% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The required employer contribution rate for the year ended June 30, 2009 was 5.634 (miscellaneous) and 17.400% (safety).

Annual Pension Cost: For fiscal year 2008/2009, the City of Weed's annual pension cost was $232,108 and the City of Weed actually contributed $232,108. The required contribution for fiscal year 2008/2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.755% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 14.45% for safety members), and (C) 3.25% cost of living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of City of Weed's plan assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year smoothed market method. City of Weed's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

9. PENSION PLAN (continued)

Three Year Trend Information:

	June 30, 2009	June 30, 2008	June 30, 2007
Annual Pension Cost(APC)	$ 232,108	$ 202,462	$ 101,630
Percentage APC Contributed	100.00%	100.00%	100.00%
Net Pension Obligation	$ -	$ -	$ -

CalPERS groups small employer plans (plans with less than 100 members) into a risk pool. The following information is for the risk pool as a whole.

Three Year Trend Information for Miscellaneous Plan of CalPERS:
Funded Status of Plan

Valuation Date	Accrued Liabilities(AL)	Actuarial Value of Assets(AVA)	Unfunded Liability(UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06-30-2007	$498,934,859	$479,520,670	$19,414,189	96.1%	$171,052,819	11.3%
06-30-2008	$532,483,463	$513,147,099	$19,336,364	96.4%	$183,387,608	10.5%
06-30-2009	$582,841,869	$553,953,526	$28,888,343	95.0%	$184,319,666	15.7%

Three Year Trend Information for Safety Plan of CalPERS:
Funded Status of Plan

Valuation Date	Accrued Liability(AL)	Actuarial Value of Assets(AVA)	Unfunded Liability(UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UAAL As a % of Payroll
06-30-2007	$77,117,539	$69,523,793	$7,593,746	90.2%	$22,403,563	33.9%
06-30-2008	$69,011,153	$62,163,959	$6,847,194	90.1%	$21,538,000	31.8%
06-30-2009	$73,625,106	$63,095,026	$10,530,080	85.7%	$21,879,598	48.1%

11. NET ASSETS

As of June 30, 2010, investment in capital assets, net of related debt consisted of the following:

	Primary Government	Business-type Activities
Capital assets, net	$ 13,081,139	$ 12,998,918
Long-term debt	-	(120,862)
Investment in capital assets, net of related debt	$ 13,081,139	$ 12,878,056

12. COMMITMENTS, CONTIGENT LIABILITIES AND LITIGATION

A. The City participates in a number of Federal and State assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2010 have not yet been conducted.

Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statement.

B. The City is subject to various disputes, legal proceedings and labor relation claims which arise in the normal course of its operations. The City management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Supplementary Information

City of Weed, California
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budget Amounts			Positive (Negative) Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	$ 664,000	$ 664,000	$ 665,622	$ 1,622
Sales taxes	662,411	662,411	535,759	(126,652)
Transient lodging taxes	305,000	305,000	250,038	(54,962)
Franchise fees	70,700	70,700	70,476	(224)
Licenses and permits	9,000	9,000	8,426	(574)
Charges for services	123,700	123,700	99,227	(24,473)
Fines and forfeitures	19,500	19,500	24,951	5,451
Intergovernmental	900	900	2,512	1,612
Unrestricted investment earnings	11,000	11,000	753	(10,247)
Grants and donations	110,500	110,500	276,413	165,913
Other	111,000	111,000	241,691	130,691
Total revenues	2,087,711	2,087,711	2,175,868	88,157
EXPENDITURES				
City council, administrator & clerk	209,428	209,428	191,410	18,018
General government	139,968	305,850	303,224	2,626
Fire	222,581	265,831	260,526	5,305
Police	1,286,483	1,286,483	1,277,568	8,915
Planning and development	40,000	44,500	43,693	807
Parks, culture and recreation			41	(41)
Streets and sidewalks	433,001	592,823	575,096	17,727
Debt service:				
Principal	31,922	31,922	31,922	-
Interest	2,245	2,245	2,245	-
Total expenditures	2,365,628	2,739,082	2,685,725	53,357
Excess (deficiency) of revenues over (under) expenditures	(277,917)	(651,371)	(509,857)	141,514
OTHER FINANCING SOURCES AND (USES)				
Operating transfers in		82,822	82,822	-
Operating transfers out	-	-	-	-
Total other financing sources and (uses)	-	82,822	82,822	-
Net change in fund balances	(277,917)	(568,549)	(427,035)	141,514
Fund balances - beginning of year	(14,139)	(14,139)	(14,139)	-
Fund balances - end of year	$ (292,056)	$ (582,688)	$ (441,174)	$ 141,514

The notes to the financial statements are an integral part of this statement.

City of Weed, California
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
CDBG/EDBG Fund
For the Year Ended June 30, 2010

	Budget Amounts			Positive (Negative) Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES				
Unrestricted investment earnings	$ 1,020	$ 1,020	$ 1,102	$ 82
Grants and donations	-	249,366	242,554	(6,812)
Other	190,000	190,000	155,511	(34,489)
Total revenues	191,020	440,386	399,167	(41,219)
EXPENDITURES				
Planning and development	678,800	678,800	273,413	405,387
Total expenditures	678,800	678,800	273,413	405,387
Excess (deficiency) of revenues over (under) expenditures	(487,780)	(238,414)	125,754	364,168
OTHER FINANCING SOURCES AND (USES)				
Operating transfers in				-
Operating transfers out	-	(795,894)	(795,894)	-
Total other financing sources and (uses)	-	(795,894)	(795,894)	-
Net change in fund balances	(487,780)	(1,034,308)	(670,140)	364,168
Fund balances - beginning of year	1,138,230	1,138,230	1,138,230	-
Fund balances - end of year	$ 650,450	$ 103,922	$ 468,090	$ 364,168

The notes to the financial statements are an integral part of this statement.

City of Weed, California

Notes to Required Supplementary Information
June 30, 2010

Budgets and Budgetary Accounting

As required by the laws of the State of California, the City prepares and legally adopts a final balanced operating budget that may include appropriations of undesignated reserves. At least one public hearing is conducted to obtain comments on the proposed final budget and to review all appropriations and the sources of financing.

Budgets for the general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States, utilizing the modified accrual basis of accounting and are presented accordingly in the financial statements. Budgets for the proprietary funds are adopted under accounting principles generally accepted in the United States; however, budgets for the proprietary funds, though not considered legally adopted budgets, are used for management and control purposes.

At the fund level, actual expenditures cannot exceed budgeted appropriations. In order to accommodate operational changes that may result during the course of a budget year, the City Council may authorize supplemental appropriations during the year by budget modification resolution. Management can modify line items of a budget, with the limitation that the overall departmental budget may not be exceeded without Council approval.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the City Council.

CITY OF WEED, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number (if known)	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed Through California Department of Housing & Community Development			
Community Development Block Grant	14.228	07EDEF3756	$ 221,366
Community Development Block Grant	14.228	08PTAE5414	22,983
Community Development Block Grant	14.228	08PTAG5355	4,564
Community Development Block Grant	14.228	09EDEF6365	7,488
American Recovery and Reinvestment Act			
Passed Through California Department of Transportation	20.205	ESPL5371	29,897
Total Expenditures of Federal Awards			$ 286,298

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF WEED, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Weed, California and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF WEED, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Weed, California.
2. There were no significant deficiencies disclosed during the audit of the general purpose financial statements
3. No instances of noncompliance material to the general purpose financial statements of the City of Weed, California were disclosed during the audit.
4. The were no major programs during the year ended June 30, 2010
5. There were no Type A programs during the year ended June 30, 2010. The dollar threshold for distinguishing between Type A and B programs was $300,000.
6. Type B programs were Community Development Block Grant-07EDEF3756, 08PTAE5414, 08PTAG5355, 09EDEF6365 and, American Recovery and Reinvestment Act (ARRA).
7. The City of Weed, California was determined to be a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

We noted no findings during the financial statement audit.

FINDINGS AND QUESTIONED COSTS FEDERAL AWARD PROGRAMS

We noted no findings during the audit of the Federal Award Programs.

QUESTIONED COSTS

None.

CITY OF WEED, CALIFORNIA
Schedule of Prior Year Findings and Questioned Costs
For the year ended June 30, 2010

FINDINGS

None

QUESTIONED COSTS

None

pavlik & chitwood, llp
certified public accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Weed, California

We have audited the 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 of Weed, California 's basic financial statements and have issued our report thereon dated December 10, 2012. 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.

Internal Control Over Financial Reporting

The Management of City of Weed, California is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Weed, California's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Weed, California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Weed, California's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Weed, California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, City Council, others within the city, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pavlik & Chitwood

Pavlik & Chitwood, LLP
Certified Public Accountants

December 10, 2012