CITY OF WEED, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2014

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Certified Public Accountants **Aiello, Goodrich & Teuscher** Management Consultants
An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Weed, California

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 City of Weed, California as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally

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accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 26 through 28 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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*, we have also issued our report dated March 16, 2015 on our consideration of City of Weed, California's internal control over financial reporting and on 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* in considering the City of Weed, California's internal control over financial reporting and compliance.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
March 16, 2015

AGT

BASIC FINANCIAL STATEMENTS

City of Weed
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 783,700	$ 385,201	$ 1,168,901
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	146,415	146,415
Loans	2,858,605	-	2,858,605
Intergovernmental	1,023,112	-	1,023,112
Total current assets	4,665,417	531,616	5,197,033
Capital assets:			
Non-depreciable	6,613,309	4,010,708	10,624,017
Depreciable, net	6,197,460	8,045,534	14,242,994
Total capital assets	12,810,769	12,056,242	24,867,011
Total assets	17,476,186	12,587,858	30,064,044
LIABILITIES			
Accounts payable	846,142	15,577	861,719
Accrued liabilities	62,743	9,044	71,787
Deposits	-	56,583	56,583
Current portion, compensated absences	97,453	42,904	140,357
Current portion of long-term debt	4,372	18,746	23,118
Total current liabilities	1,010,710	142,854	1,153,564
Long-term liabilities:			
Long-term compensated absences, net of current portion	10,828	7,833	18,661
Long-term debt, net of current portion	21,987	67,970	89,957
Total long-term liabilities	32,815	75,803	108,618
Total liabilities	1,043,525	218,657	1,262,182
NET POSITION			
Net investment in capital assets	12,784,410	11,969,526	24,753,936
Unrestricted	3,648,251	399,675	4,047,926
Total net position	$ 16,432,661	$ 12,369,201	$ 28,801,862

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

City of Weed
Statement of Activities
Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 484,906	$ 46,413	$ -	$ -	$ (438,493)	$ -	$ (438,493)
Public safety	1,503,728	71,429	100,377	-	(1,331,922)	-	(1,331,922)
Streets and roads	1,670,252	-	271,593	1,022,912	(375,747)		(375,747)
Community and economic development	187,847	-	64,528	-	(123,319)	-	(123,319)
Total governmental activities	3,846,733	117,842	436,498	1,022,912	(2,269,481)	-	(2,269,481)
Business-type activities:							
Water	556,453	427,822	-	-	-	(128,631)	(128,631)
Sewer	563,278	460,137	-	-	-	(103,141)	(103,141)
Solid waste	499,239	507,264	5,000	-	-	13,025	13,025
Total business-type activities	1,618,970	1,395,223	5,000	-	-	(218,747)	(218,747)
Total primary government	$ 5,465,703	$ 1,513,065	$ 441,498	$1,022,912	(2,269,481)	(218,747)	(2,488,228)
General revenues:							
Taxes:							
Property					613,063	-	613,063
Sales and use					1,181,785	-	1,181,785
Transient occupancy					311,443	-	311,443
Franchise and other					74,959	-	74,959
Investment earnings					68,156	-	68,156
Other					42,568	-	42,568
Total general revenues					2,291,974	-	2,291,974
Change in position					22,493	(218,747)	(196,254)
Net position, beginning					16,410,168	12,587,948	28,998,116
Net position, ending					$ 16,432,661	$ 12,369,201	$ 28,801,862

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

City of Weed
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 361,761	$ 278,697	$ 143,242	$ 783,700
Receivables (net of allowance for doubtful accounts):				
Loans	889,516	1,969,089	-	2,858,605
Intergovernmental	126,624	-	896,488	1,023,112
Total assets	$ 1,377,901	$ 2,247,786	$ 1,039,730	$ 4,665,417
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 8,012	$ 4,876	$ 833,254	$ 846,142
Accrued liabilities	62,743	-	-	62,743
Total liabilities	70,755	4,876	833,254	908,885
Fund balances:				
Nonspendable:				
Noncurrent receivables	889,516	1,969,089	-	2,858,605
Restricted for:				
Streets and roads	-	-	207,027	207,027
Public safety	7,796	-	-	7,796
Parks maintenance	4,510	-	-	4,510
Community and economic development	-	273,821	-	273,821
Total	12,306	273,821	207,027	493,154
Assigned for:				
Special projects	306,273	-	-	306,273
Unassigned	99,051	-	(551)	98,500
Total fund balance	1,307,146	2,242,910	206,476	3,756,532
Total liabilities and fund balance	$ 1,377,901	$ 2,247,786	$ 1,039,730	$ 4,665,417

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

City of Weed
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2014

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 613,063	$ -	$ -	$ 613,063
Sales and use taxes	1,181,785	-	-	1,181,785
Transient occupancy taxes	249,718		61,725	311,443
Franchise and other taxes	74,959	-	-	74,959
Licenses and permits	8,711	-	-	8,711
Fines, forfeitures and penalties	11,141	-	-	11,141
Intergovernmental revenues	100,377	64,528	1,294,505	1,459,410
Charges for services	97,990	-	-	97,990
Use of money and property	40,305	27,851	-	68,156
Other	42,568	-	-	42,568
Total revenues	2,420,617	92,379	1,356,230	3,869,226
EXPENDITURES				
Current:				
General government	442,260	-	-	442,260
Police protection	1,237,333	-	-	1,237,333
Fire protection	220,325	-	-	220,325
Streets and roads	321,628	-	1,196,983	1,518,611
Community and economic development	447	66,946	52,666	120,059
Bad debt expense	2,051	65,737	-	67,788
Capital outlay	82,815	-	89,276	172,091
Debt service:				
Principal	4,235	-	-	4,235
Interest	919	-	-	919
Total expenditures	2,312,013	132,683	1,338,925	3,783,621
Excess of revenues under expenditures	108,604	(40,304)	17,305	85,605
OTHER FINANCING SOURCES				
Operating transfers in	-	5,604	-	5,604
Operating transfers out	(5,604)	-	-	(5,604)
Total other financing sources	(5,604)	5,604	-	-
Excess of revenues and other financing sources under expenditures	103,000	(34,700)	17,305	85,605
FUND BALANCE				
Beginning of year	1,204,146	2,277,610	189,171	3,670,927
End of the year	$ 1,307,146	$ 2,242,910	$ 206,476	$ 3,756,532

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

City of Weed
Reconciliation of the Fund Financial Statements - Governmental Funds to the Government-wide Finanancial Statements - Governmental Activities
For The Year Ended June 30, 2014

Reconciliation of the Balance Sheet to the Statement of Net Position:

Total fund balance, governmental funds	$ 3,756,532
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements.	12,810,769
Compensated absenses in governmental activities are not due and payable in the current period and are therefore are not reported in the fund financial statements.	(108,281)
Long-term liabilities, including debt, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(26,359)
Total net position of governmental activities	$ 16,432,661

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities:

Change in fund balance, governmental funds	$ 85,605
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 allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($226,417) exceeds capital outlays ($172,091) in the current period.	(54,326)
Government funds do not report the change in compensated absences as revenue or expenditure, but it is reported in the Statement of Activities.	(13,021)
Government funds report long-term debt activity as revenues and expenditures. However, in the Statement of Activities, the debt is reported as a liability reduced annually by principal payments.	4,235
Change in net position of governmental activities	$ 22,493

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

City of Weed
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and investments	$ -	$ 213,578	$ 171,623	$ 385,201
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	48,577	49,122	48,716	146,415
Due from other funds	-	5,316	-	5,316
Total current assets	48,577	268,016	220,339	536,932
Capital assets:				
Non-depreciable	24,090	3,986,618	-	4,010,708
Depreciable, net	4,385,979	3,659,555	-	8,045,534
Total capital assets, net	4,410,069	7,646,173	-	12,056,242
Total assets	4,458,646	7,914,189	220,339	12,593,174
LIABILITIES				
Current liabilities:				
Accounts payable	9,894	5,683	-	15,577
Accrued liabilities	3,660	5,384	-	9,044
Deposits	56,583	-	-	56,583
Due to other funds	5,316	-	-	5,316
Current portion of compensated absences	19,231	18,150	5,523	42,904
Current portion of long-term debt	4,373	14,373	-	18,746
Total current liabilities	99,057	43,590	5,523	148,170
Long-term liabilities:				
Compensated absences, net of current portion	2,136	2,016	3,681	7,833
Long-term debt, net of current portion	21,985	45,985	-	67,970
Total long-term liabilities	24,121	48,001	3,681	75,803
Total liabilities	123,178	91,591	9,204	223,973
NET POSITION				
Net investment in capital assets	4,383,711	7,585,815	-	11,969,526
Unrestricted	(48,243)	236,783	211,135	399,675
Total net position	$ 4,335,468	$ 7,822,598	$ 211,135	$ 12,369,201

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

City of Weed
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2014

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
REVENUES				
User fees and charges	$ 427,822	$ 460,137	$ 507,264	$ 1,395,223
OPERATING EXPENSES				
Cost of power	44,364	84,647	-	129,011
Maintenance, operations, and administration	380,080	345,710	499,239	1,225,029
Depreciation	131,092	129,804	-	260,896
Total operating expenses	555,536	560,161	499,239	1,614,936
Operating income (loss)	(127,714)	(100,024)	8,025	(219,713)
OTHER REVENUES (EXPENSES)				
Intergovernmental revenues	-	-	5,000	5,000
Interest expense	(917)	(3,117)	-	(4,034)
Total other revenues (expenses)	(917)	(3,117)	5,000	966
Change in net position	(128,631)	(103,141)	13,025	(218,747)
NET POSITION				
Beginning of year	4,464,099	7,925,739	198,110	12,587,948
End of the year	$ 4,335,468	$ 7,822,598	$ 211,135	$ 12,369,201

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, 2014

	Enterprise			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 432,377	$ 457,032	$ 511,538	$ 1,400,947
Payments to suppliers	(326,010)	(310,091)	(499,239)	(1,135,340)
Payments to or on behalf of employees	(101,216)	(97,608)	(130)	(198,954)
Net cash provided by operating activities	5,151	49,333	12,169	66,653
CASH FLOWS FROM NON-CAPITAL FINANCING				
Intergovernmental revenues	-	-	5,000	5,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Principal payments on capital debt	(4,234)	(14,234)	-	(18,468)
Interest payments on capital debt	(917)	(3,117)	-	(4,034)
Net cash (used) by investing activities	(5,151)	(17,351)	-	(22,502)
Net increase in cash	-	31,982	17,169	44,151
Cash and investments, beginning of the year	-	181,596	154,454	336,050
Cash and investments, end of year	$ -	$ 213,578	$ 171,623	$ 385,201
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	$ (127,714)	$ (100,024)	$ 8,025	$ (219,713)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	131,092	129,804	-	260,896
(Increase) decrease in:				
Accounts receivable	445	(3,105)	4,274	1,614
Due from other funds	-	13,034		13,034
Increase (decrease) in:				
Accounts payable	9,894	5,672		15,566
Accrued liabilities	62	1,838		1,900
Deposits	4,110	-	-	4,110
Due to other funds	(13,034)	-	-	(13,034)
Compensated absences	296	2,114	(130)	2,280
Net cash provided by operating activities	$ 5,151	$ 49,333	$ 12,169	$ 66,653

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

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 polices.

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

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 particular 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 particular 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type; and

Total assets, liabilities, revenues, or expenditures/expenses for the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below:

Major Governmental Funds:

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

The Community Development Block Grant (CDBG) and Economic Development Block Grant (EDBG) Fund accounts for the financing of home rehabilitation, as financed by monies passed through the State by the federal government.

The Special Revenue fund accounts for gas tax revenues and various community development projects.

Major Proprietary Funds:

The Enterprise 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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables:

In the fund financial statements, material receivables in governmental funds are the same as those in the government-wide statements, since they are both measurable and available. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable are based on historical trends, periodic aging of accounts receivable, and management's detailed analysis of the composition of accounts receivable.

Property Taxes:

The County of Siskiyou assesses, bills, and collects property taxes for the City. Assessed values are determined annually by the Siskiyou County Assessor as of January 1, and become a lien on such property January 1. Taxes are due November 1 and February 1 (secured), and July 1 (unsecured) and are delinquent if not paid by December 10 and April 10 (secured), and August 31 (unsecured). The County is permitted by the State Constitution (Article XIII A) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can increase a property's assessed valuation by reappraisal due to new construction, change in ownership, or by increase in fair market value not to exceed a 2% each year. Property taxes collected by the County on behalf of the City but not remitted to the City by June 30 are accrued in revenue and included in other accounts receivable.

Interfund Receivables and Payables:

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.

In the government-wide financial statements, property, plant, equipment and infrastructure assets with a cost, as defined below, of $1,000 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 Assets. 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.

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.

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 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, community development 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, 2014.

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 had assigned resources for various special projects as of June 30, 2014.

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 Assigned 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

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

Expenditures/Expenses:

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

F. Estimates

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

G. Budgets

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

NOTE 2 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, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Governmental activities	$ 783,700
Business-type activities	385,201
	$ 1,168,901
Consisting of:	
Deposits with financial institutions	$ 1,164,822
Local Agency Investment Fund (LAIF)	3,679
Cash on hand	400
	$ 1,168,901

NOTE 2 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.

	Cost	Fair Value	Maturity Date
Local Agency Investment Fund	$ 3,679	$ 3,679	232 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 $1,372,658, 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 of $1,164,822 because of outstanding checks and deposits in transit.

NOTE 2 CASH AND INVESTMENTS (continued)

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

Investment in State Investment Pool (LAIF):

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

NOTE 3 LOANS RECEIVABLE

The following is the composition of loans receivable at June 30, 2014:

Community development loan programs	$ 2,215,102
Economic development loan programs	906,697
	3,121,799
Less: allowance for doubtful accounts	(263,194)
Loans receivable, net	$ 2,858,605

NOTE 4 DUE TO / DUE FROM OTHER FUNDS AND OPERATING TRANSFERS IN/OUT

The following is a summary of the interfund receivables and payables at June 30, 2014:

Fund	Due From	Due to
Business-type Activities:		
Water Fund	$ -	$ 5,316
Sewer Fund	5,316	-
Totals	$ 5,316	$ 5,316

The above amounts are to cover negative cash balances in the respective funds' pooled cash accounts, and will be repaid by transferring monies from other cash accounts or from future revenues.

There were no transfers in or out during the year ended June 30, 2014.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions and Transfers	Retirements and Transfers	June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 6,498,827	$ -	$ -	$ 6,498,827
Construction in progress	31,606	82,876	-	114,482
Total capital assets not being depreciated	6,530,433	82,876	-	6,613,309
Capital assets being depreciated:				
Buildings	2,448,357		-	2,448,357
Machinery and equipment	2,515,524	45,506	-	2,561,030
Infrastructure	7,108,873	43,709	-	7,152,582
Total capital assets being depreciated	12,072,754	89,215	-	12,161,969
Less accumulated depreciation for:				
Buildings	1,115,792	20,782	-	1,136,574
Machinery and equipment	2,337,238	61,663	-	2,398,901
Infrastructure	2,285,062	143,972	-	2,429,034
Total accumulated depreciation	5,738,092	226,417	-	5,964,509
Total capital assets being depreciated, net	6,334,662	(137,202)	-	6,197,460
Subtotal, governmental activities	12,865,095	(54,326)	-	12,810,769
Business-type activities:				
Capital assets not being depreciated:				
Land	4,010,708	-	-	4,010,708
Capital assets being depreciated:				
Utility plant	11,824,302	-	-	11,824,302
Buildings	301,374	-	-	301,374
Machinery and equipment	225,535	-	-	225,535
Total capital assets being depreciated	12,351,211	-	-	12,351,211
Less accumulated depreciation for:				
Utility plant	3,654,511	253,390	-	3,907,901
Buildings	248,979	1,318	-	250,297
Machinery and equipment	141,291	6,188	-	147,479
Total accumulated depreciation	4,044,781	260,896	-	4,305,677
Total capital assets being depreciated, net	8,306,430	(260,896)	-	8,045,534
Subtotal, business-type activities	12,317,138	(260,896)	-	12,056,242
Total, government-wide	$ 25,182,233	$ (315,222)	$ -	$ 24,867,011

NOTE 5 CAPITAL ASSETS (continued)

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

Governmental activities	
General government	$ 28,706
Public safety	46,070
Streets and roads	151,641
Total depreciation expense - governmental activities	$ 226,417
Business-type activities:	
Water fund	$ 131,092
Sewer fund	129,804
Total depreciation expense - business-type activities	$ 260,896

NOTE 6 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 7 LONG-TERM DEBT

The following is a summary of long-term liabilities activity during the year ended June 30, 2014:

Certificates of Participation:

The City issued certificates of participation for a 1977 sewer system upgrade. Interest is charged at a rate of 5% and principal and interest payments are due annually. The debt matures July 1, 2017. Debt service requirements for principal and interest for future years is as follows:

	1977 Sewer System Upgrade	
Interest rate	5.00%	
Maturity date	July 1, 2017	
Year Ended June 30,	Principal	Interest
2015	10,000	1,450
2016	12,000	900
2017	12,000	300
	$ 34,000	$ 2,650

Capital Lease:

In 2013, the City entered into a lease agreement for financing of equipment valued at $92,818. That equipment has been capitalized and is begin depreciated over its estimated useful life. 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. The future minimum lease payments are as follows:

	Capital lease	
Interest rate	3.20%	
Maturity date	July 1, 2018	
Year Ended June 30,	Principal	Interest
2015	13,118	2,339
2016	13,544	1,913
2017	13,983	1,473
2018	38,430	881
	$ 79,075	$ 6,606

NOTE 7 LONG-TERM DEBT (continued)

Changes in the City's long-term debt for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Current Portion
Governmental activities:					
Capital lease	$ 30,594	$ -	$ 4,235	$ 26,359	$ 4,372
Total governmental activities	$ 30,594	$ -	$ 4,235	$ 26,359	$ 4,372
Business-type activities:					
Capital lease	$ 61,184	$ -	$ 8,468	$ 52,716	$ 8,746
Certificates of Participation	44,000	-	10,000	34,000	10,000
Total business-type activities	$ 105,184	$ -	$ 18,468	$ 86,716	$ 18,746

NOTE 8 COMPENSATED ABSENCES

Compensated absence activity for the year ended June 30, 2014 is summarized as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Current Portion
Governmental activities:					
General fund	$ 95,260	$ 111,070	$ 98,049	$ 108,281	$ 97,453
Business-type activities:					
Water fund	21,071	20,311	20,015	21,367	19,231
Sewer fund	18,052	19,946	17,832	20,166	18,150
Solid Waste fund	9,334	6,261	6,391	9,204	5,523
Total business-type	48,457	46,518	44,238	50,737	42,904
Total compensated absences	$ 143,717	$ 157,588	$ 142,287	$ 159,018	$ 140,357

NOTE 9 PENSION PLAN

Plan Description – The City's defined benefit pension plan, City of Weed Pension Plan ("the Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Pubic Agency portion of the California Public Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Funding Policy – Active plan members of the Plan are required to contribute 7.00% for miscellaneous employees and 7.00% for safety employees of their annual covered salary. The City has elected to pay the employees' contribution.

NOTE 9 PENSION PLAN (continued)

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2014 was 7.445% (miscellaneous) and 22.339% (safety). The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost – For the year ended June 30, 2014 the City's annual pension cost was $153,382, which is also the amount the City contributed. The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20%, and: (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014 was 15 years.

The information below is related to the City of Weed annual pension costs, contributions, and obligations.

Three Year Trend Information:

	June 30, 2014	June 30, 2013	June 30, 2012
Annual Pension Cost (APC)	$ 153,382	$ 167,941	$ 146,998
Percentage APC contributed	100%	100%	100%
Net Pension Obligation	$ -	$ -	$ -

The information below is for the pool as a whole, and is the latest available.

Three Year Trend Information for Miscellaneous Plan of CalPERS:

	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial Accrued Liability (AAL)	$ 736,231,913	$ 682,375,804	$ 624,423,437
Actuarial Value of Assets	701,224,211	639,237,247	594,492,164
Unfunded AAL (UAAL)	35,007,702	43,138,557	29,931,273
Funded Ratio	95.2%	93.7%	95.2%
Annual Covered Payroll	208,517,122	193,877,169	186,777,830
UAAL as % of Payroll	16.8%	22.3%	16.0%

NOTE 9 PENSION PLAN (continued)

Three Year Trend Information for Safety Plan of CalPERS:

	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial Accrued Liability (AAL)	$ 84,829,856	$ 87,234,077	$ 80,550,533
Actuarial Value of Assets	75,003,561	74,508,206	69,069,025
Unfunded AAL (UAAL)	9,826,295	12,725,871	11,481,508
Funded Ratio	88.4%	85.4%	85.7%
Annual Covered Payroll	21,079,631	21,957,452	21,754,150
UAAL as % of Payroll	46.6%	58.0%	52.8%

NOTE 10 FUND BALANCE

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund and in the Special Revenue fund are for loans receivable.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the City Manager for a specific purpose.

Unassigned—All amounts not included in other spendable classifications.

NOTE 11 CONTINGENCIES

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 12 OVEREXPENDITURE OF BUDGET

The City overexpended its budget by $255,524 in the Special Revenue Fund as of June 30, 2014.

NOTE 13 SUBSEQUENT EVENTS

On September 15, 2014, the City of Weed incurred a fire destroying over 150 homes and various infrastructure. The City is currently contracted with various subcontractors for $11,870,000. The City anticipates the State will fund the bulk of the rebuilding process.

REQUIRED SUPPLEMENTARY INFORMATION

City of Weed
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	$ 654,500	$ 654,500	$ 613,063	$ (41,437)
Sales and use taxes	1,179,500	1,179,500	1,181,785	2,285
Transient occupancy taxes	245,000	245,000	249,718	4,718
Franchise and other taxes	77,100	77,100	74,959	(2,141)
Licenses and permits	10,900	10,900	8,711	(2,189)
Fines, forfeitures and penalties	26,500	26,500	11,141	(15,359)
Intergovernmental revenues	100,000	100,000	100,377	377
Charges for services	112,500	112,500	97,990	(14,510)
Use of money and property	56,500	56,500	40,305	(16,195)
Other	135,722	135,722	42,568	(93,154)
Total revenues	2,598,222	2,598,222	2,420,617	(177,605)
EXPENDITURES				
Current:				
General government	852,743	873,743	442,260	431,483
Police protection	1,250,011	1,287,035	1,237,333	49,702
Fire protection	269,820	271,101	220,325	50,776
Streets and roads	187,456	189,699	321,628	(131,929)
Community and economic development	50,000	50,000	447	49,553
Bad debt expense	-	-	2,051	(2,051)
Capital outlay	75,400	75,400	82,815	(7,415)
Debt service				
Principal	-	-	4,237	(4,237)
Interest	-	-	917	(917)
Total expenditures	2,685,430	2,746,978	2,312,013	434,965
Excess of revenues over (under) expenditures	(87,208)	(148,756)	108,604	257,360
OTHER FINANCING SOURCES				
Operating transfers out	-	-	(5,604)	5,604
Excess of revenues and other financing sources over (under) expenditures	$ (87,208)	$ (148,756)	$ 103,000	$ 251,756

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

City of Weed
Budgetary Comparison Schedule
Community/Economic Development Block Grant Fund
For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental	$ 64,528	$ 64,528	$ 64,528	$ -
Use of money and property	-	-	27,851	27,851
Loan payments received	106,800	106,800	-	(106,800)
Total revenues	171,328	171,328	92,379	(78,949)
EXPENDITURES				
Current:				
Community and economic development	145,005	189,005	66,946	122,059
Bad debt expense	-	-	65,737	(65,737)
Total expenditures	145,005	189,005	132,683	56,322
Excess of revenues over (under) expenditures	$ 26,323	$ (17,677)	$ (40,304)	$ (22,627)

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

City of Weed
Budgetary Comparison Schedule
Special Revenue Fund
For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Transient occupancy taxes	$ 63,000	$ 63,000	$ 61,725	$ (1,275)
Intergovernmental	206,389	1,169,211	1,294,505	125,294
Total revenues	269,389	1,232,211	1,356,230	124,019
EXPENDITURES				
Current:				
Streets and roads	-	-	1,196,983	(1,196,983)
Community and economic development	63,000	64,800	52,666	12,134
Capital outlay	895,040	1,018,601	89,276	929,325
Total expenses	958,040	1,083,401	1,338,925	(255,524)
Excess of revenues (under) expenditures	$ (688,651)	$ 148,810	$ 17,305	$ (131,505)

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

OTHER REPORTS

Certified Public Accountants **Aiello, Goodrich & Teuscher** Management Consultants
An Accountancy Corporation

INDEPENDENT AUDITORS' 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

We 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 City of Weed as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Weed's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Weed's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Weed's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 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.*

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Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
March 16, 2015

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