

CITY OF WEED, CALIFORNIA

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Weed, California

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of City of Weed, California as of and for the year ended June 30, 2013, 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.

Auditors' 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 auditors' 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, and each major fund of City of Weed, California as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally 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 25 through 27 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.

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 January 16, 2014 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
An Accountancy Corporation
Mt. Shasta, California
January 16, 2014

BASIC FINANCIAL STATEMENTS

City of Weed
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 601,438	\$ 336,050	\$ 937,488
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	148,029	148,029
Loans	2,963,876	-	2,963,876
Intergovernmental	172,129	-	172,129
Real estate held for resale	45,248	-	45,248
Total current assets	3,782,691	484,079	4,266,770
Capital assets:			
Non-depreciable	6,530,433	4,010,708	10,541,141
Depreciable, net	6,334,662	8,306,430	14,641,092
Total capital assets	12,865,095	12,317,138	25,182,233
Total assets	16,647,786	12,801,217	29,449,003
 LIABILITIES			
Accounts payable	47,176	11	47,187
Accrued liabilities	64,588	7,144	71,732
Deposits	-	52,473	52,473
Current portion, compensated absences	85,734	40,812	126,546
Current portion of long-term debt	4,235	18,470	22,705
Total current liabilities	201,733	118,910	320,643
Long-term liabilities:			
Long-term compensated absences, net of current portion	9,526	7,645	17,171
Long-term debt, net of current portion	26,359	86,714	113,073
Total long-term liabilities	35,885	94,359	130,244
Total liabilities	237,618	213,269	450,887
 NET POSITION			
Net investment in capital assets	12,834,501	12,211,954	25,046,455
Restricted, spendable	481,666	-	481,666
Unrestricted	3,094,001	375,994	3,469,995
Total net position	\$ 16,410,168	\$ 12,587,948	\$ 28,998,116

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

City of Weed
Statement of Activities
Year Ended June 30, 2013

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 563,821	\$ 40,610	\$ -	\$ -	\$ (523,211)	\$ -	\$ (523,211)
Police	1,266,972	51,273	170,472	-	(1,045,227)	-	(1,045,227)
Fire	231,446	45,004	-	-	(186,442)	-	(186,442)
Streets and roads	774,853	-	255,598	-	(519,255)	-	(519,255)
Community and economic development	539,643	-	-	-	(539,643)	-	(539,643)
Total governmental activities	<u>3,376,735</u>	<u>136,887</u>	<u>426,070</u>	<u>-</u>	<u>(2,813,778)</u>	<u>-</u>	<u>(2,813,778)</u>
Business-type activities:							
Water	494,964	428,041	-	-	-	(66,923)	(66,923)
Sewer	512,070	452,605	-	-	-	(59,465)	(59,465)
Solid waste	475,846	542,936	-	-	-	67,090	67,090
Total business-type activities	<u>1,482,880</u>	<u>1,423,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,298)</u>	<u>(59,298)</u>
Total primary government	<u>\$ 4,859,615</u>	<u>\$ 1,560,469</u>	<u>\$ 426,070</u>	<u>\$ -</u>	<u>(2,813,778)</u>	<u>(59,298)</u>	<u>(2,873,076)</u>
General revenues:							
Taxes:							
Property							
					626,330	-	626,330
Sales and use							
					1,233,451	-	1,233,451
Transient occupancy							
					297,910	-	297,910
Franchise and other							
					74,405	-	74,405
Investment earnings							
					94,201	-	94,201
Total general revenues							
					<u>2,326,297</u>	<u>-</u>	<u>2,326,297</u>
Change in position							
					<u>(487,481)</u>	<u>(59,298)</u>	<u>(546,779)</u>
Net position, beginning, as previously reported							
					16,960,012	12,647,246	29,607,258
Prior period adjustment							
					(62,363)	-	(62,363)
Net position, beginning, as restated							
					<u>16,897,649</u>	<u>12,647,246</u>	<u>29,544,895</u>
Net position, ending							
					<u>\$ 16,410,168</u>	<u>\$ 12,587,948</u>	<u>\$ 28,998,116</u>

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

**City of Weed
Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 207,146	\$ 239,549	\$ 154,743	\$ 601,438
Receivables (net of allowance for doubtful accounts):				
Loans	966,504	1,997,372	-	2,963,876
Intergovernmental	133,834	-	38,295	172,129
Real estate held for resale	-	45,248	-	45,248
Total assets	\$ 1,307,484	\$ 2,282,169	\$ 193,038	\$ 3,782,691
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,750	\$ 4,559	\$ 3,867	\$ 47,176
Accrued liabilities	64,588	-	-	64,588
Total liabilities	103,338	4,559	3,867	111,764
Fund balances:				
Nonspendable:				
Noncurrent receivables	966,504	1,997,372	-	2,963,876
Restricted for:				
Streets and roads	-	-	103,140	103,140
Public safety	7,747	-	-	7,747
Parks maintenance	4,510	-	-	4,510
Community and economic development	-	280,238	86,031	366,269
Total	12,257	280,238	189,171	481,666
Assigned for:				
Special projects	225,385	-	-	225,385
Unassigned				
	-	-	-	-
Total fund balance	1,204,146	2,277,610	189,171	3,670,927
Total liabilities and fund balance	\$ 1,307,484	\$ 2,282,169	\$ 193,038	\$ 3,782,691

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, 2013

	General Fund	Community and Economic Development Block Grant Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 626,330	\$ -	\$ -	\$ 626,330
Sales and use taxes	1,233,451	-	-	1,233,451
Transient occupancy taxes	239,741	-	58,169	297,910
Franchise and other taxes	74,405	-	-	74,405
Licenses and permits	9,186	-	-	9,186
Fines, forfeitures and penalties	16,680	-	-	16,680
Intergovernmental revenues	169,361	-	255,598	424,959
Charges for services	89,492	-	-	89,492
Use of money and property	59,129	35,072	-	94,201
Other	22,640	-	-	22,640
Total revenues	<u>2,540,415</u>	<u>35,072</u>	<u>313,767</u>	<u>2,889,254</u>
EXPENDITURES				
Current:				
General government	533,487	-	-	533,487
Police protection	1,249,685	-	-	1,249,685
Fire protection	206,131	-	-	206,131
Streets and roads	395,105	-	223,867	618,972
Community and economic development	11,604	70,601	111,142	193,347
Bad debt expense	77,818	268,478	-	346,296
Capital outlay	141,659	-	31,606	173,265
Debt service:				
Principal	346	-	-	346
Interest	84	-	-	84
Total expenditures	<u>2,615,919</u>	<u>339,079</u>	<u>366,615</u>	<u>3,321,613</u>
Excess of revenues under expenditures	<u>(75,504)</u>	<u>(304,007)</u>	<u>(52,848)</u>	<u>(432,359)</u>
OTHER FINANCING SOURCES				
Capital lease	30,940	-	-	30,940
Total other financing sources	<u>30,940</u>	<u>-</u>	<u>-</u>	<u>30,940</u>
Excess of revenues and other financing sources under expenditures	<u>(44,564)</u>	<u>(304,007)</u>	<u>(52,848)</u>	<u>(401,419)</u>
FUND BALANCE				
Beginning of the year, as originally stated	1,276,073	2,633,827	224,809	4,134,709
Prior period adjustment	<u>(27,363)</u>	<u>(52,210)</u>	<u>17,210</u>	<u>(62,363)</u>
Beginning of year, as restated	<u>1,248,710</u>	<u>2,581,617</u>	<u>242,019</u>	<u>4,072,346</u>
End of the year	<u>\$ 1,204,146</u>	<u>\$ 2,277,610</u>	<u>\$ 189,171</u>	<u>\$ 3,670,927</u>

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 Financial Statements - Governmental Activities
For The Year Ended June 30, 2013

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

Total fund balance, governmental funds	\$ 3,670,927
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.	12,865,095
Compensated absences in governmental activities are not due and payable in the current period and are therefore are not reported in the fund financial statements.	(95,260)
Long-term liabilities, including debt, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(30,594)</u>
Total net position of governmental activities	<u><u>\$ 16,410,168</u></u>

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

Change in fund balance, governmental funds	\$ (401,419)
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 (\$227,105) exceeds capital outlays (\$173,265) in the current period.	(53,840)
Government funds do not report the change in compensated absences as revenue or expenditure, but it is reported in the Statement of Activities.	(1,628)
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. This is the amount by which debt proceeds (\$30,940) exceeds principal payments (\$346) in the current period.	<u>(30,594)</u>
Change in net position of governmental activities	<u><u>\$ (487,481)</u></u>

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

City of Weed
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 181,596	\$ 154,454	\$ 336,050
Receivables (net of allowances for bad debts, where applicable):				
Trade accounts	49,022	46,017	52,990	148,029
Due from other funds	-	18,350	-	18,350
Total current assets	<u>49,022</u>	<u>245,963</u>	<u>207,444</u>	<u>502,429</u>
Capital assets:				
Non-depreciable	24,090	3,986,618	-	4,010,708
Depreciable, net	4,517,071	3,789,359	-	8,306,430
Total capital assets, net	<u>4,541,161</u>	<u>7,775,977</u>	<u>-</u>	<u>12,317,138</u>
Total assets	<u>4,590,183</u>	<u>8,021,940</u>	<u>207,444</u>	<u>12,819,567</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	11	-	11
Accrued liabilities	3,598	3,546	-	7,144
Deposits	52,473	-	-	52,473
Due to other funds	18,350	-	-	18,350
Current portion of compensated absences	18,964	16,247	5,601	40,812
Current portion of long-term debt	4,235	14,235	-	18,470
Total current liabilities	<u>97,620</u>	<u>34,039</u>	<u>5,601</u>	<u>137,260</u>
Long-term liabilities:				
Compensated absences, net of current portion	2,107	1,805	3,733	7,645
Long-term debt, net of current portion	26,357	60,357	-	86,714
Total long-term liabilities	<u>28,464</u>	<u>62,162</u>	<u>3,733</u>	<u>94,359</u>
Total liabilities	<u>126,084</u>	<u>96,201</u>	<u>9,334</u>	<u>231,619</u>
NET POSITION				
Net investment in capital assets	4,510,569	7,701,385	-	12,211,954
Unrestricted	(46,470)	224,354	198,110	375,994
Total net position	<u>\$ 4,464,099</u>	<u>\$ 7,925,739</u>	<u>\$ 198,110</u>	<u>\$ 12,587,948</u>

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, 2013

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
REVENUES				
User fees and charges	\$ 428,041	\$ 452,605	\$ 542,936	\$ 1,423,582
OPERATING EXPENSES				
Cost of power	47,474	86,165	-	133,639
Maintenance, operations, and administration	316,316	293,321	475,846	1,085,483
Depreciation	131,092	129,802	-	260,894
Total operating expenses	<u>494,882</u>	<u>509,288</u>	<u>475,846</u>	<u>1,480,016</u>
Operating income (loss)	<u>(66,841)</u>	<u>(56,683)</u>	<u>67,090</u>	<u>(56,434)</u>
OTHER REVENUES (EXPENSES)				
Interest expense	<u>(82)</u>	<u>(2,782)</u>	<u>-</u>	<u>(2,864)</u>
Total other revenues (expenses)	<u>(82)</u>	<u>(2,782)</u>	<u>-</u>	<u>(2,864)</u>
Change in net position	(66,923)	(59,465)	67,090	(59,298)
NET POSITION				
Beginning of year	<u>4,531,022</u>	<u>7,985,204</u>	<u>131,020</u>	<u>12,647,246</u>
End of the year	<u>\$ 4,464,099</u>	<u>\$ 7,925,739</u>	<u>\$ 198,110</u>	<u>\$ 12,587,948</u>

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, 2013

	Enterprise			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 433,040	\$ 452,600	\$ 549,416	\$ 1,435,056
Payments to suppliers	(277,512)	(189,033)	(473,372)	(939,917)
Payments to or on behalf of employees	(155,099)	(134,712)	-	(289,811)
Net cash provided by operating activities	<u>429</u>	<u>128,855</u>	<u>76,044</u>	<u>205,328</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u>				
Purchase of fixed assets	-	-	-	-
Principal payments on capital debt	(347)	(10,347)	-	(10,694)
Interest payments on capital debt	(82)	(2,782)	-	(2,864)
Net cash (used) by investing activities	<u>(429)</u>	<u>(13,129)</u>	<u>-</u>	<u>(13,558)</u>
Net increase in cash	-	115,726	76,044	191,770
Cash and investments, beginning of the year	-	65,870	78,410	144,280
Cash and investments, end of year	<u>\$ -</u>	<u>\$ 181,596</u>	<u>\$ 154,454</u>	<u>\$ 336,050</u>
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	\$ (66,841)	\$ (56,683)	\$ 67,090	\$ (56,434)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	131,092	129,802	-	260,894
(Increase) decrease in:				
Accounts receivable	(3,133)	(5)	6,480	3,342
Due from other funds	-	64,853	-	64,853
Increase (decrease) in:				
Accounts payable	(1,243)	(301)	(125)	(1,669)
Accrued liabilities	(1,008)	417	-	(591)
Deposits	8,132	-	-	8,132
Due to other funds	(70,540)	(6,843)	-	(77,383)
Compensated absences	3,970	(2,385)	2,599	4,184
Net cash provided by operating activities	<u>\$ 429</u>	<u>\$ 128,855</u>	<u>\$ 76,044</u>	<u>\$ 205,328</u>
<u>NON-CASH TRANSACTIONS</u>				
Capital assets acquired through financing:	<u>\$ 30,939</u>	<u>\$ 30,939</u>	<u>\$ -</u>	<u>\$ 61,878</u>

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

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Weed, California (hereafter “the City”) is legally incorporated under California municipal law, and is governed by a five member City Council. The City provides the following services: public safety, streets and roads, water, sewer, and solid waste services, community development and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies.

The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The enterprise/proprietary fund types apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real estate held for resale:

This consists of real estate acquired through foreclosure on housing loans that the City intends to resell in order to recover the loan funds.

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, 2013.

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, 2013.

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 601,438
Business-type activities	336,050
	<u>\$ 937,488</u>
Consisting of:	
Deposits with financial institutions	\$ 933,418
Local Agency Investment Fund (LAIF)	3,670
Cash on hand	400
	<u>\$ 937,488</u>

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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	\$ 3,670	\$ 3,670	278 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 \$1,085,039, 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 \$933,418 because of outstanding checks and deposits in transit.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

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, 2013:

Community development loan programs		\$ 2,244,722
Economic development loan programs		1,084,818
		3,329,540
Less: allowance for doubtful accounts (EDBG)		(365,664)
Loans receivable, net		\$ 2,963,876

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, 2013:

Fund	Due From	Due to
Business-type Activities:		
Water Fund	\$ 18,350	\$ -
Sewer Fund	-	18,350
Totals	\$ 18,350	\$ 18,350

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, 2013.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>June 30,</u> <u>2012</u>	<u>Additions</u> <u>and Transfers</u>	<u>Retirements</u> <u>and Transfers</u>	<u>June 30,</u> <u>2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,498,827	\$ -	\$ -	\$ 6,498,827
Construction in progress	-	31,606	-	31,606
Total capital assets not being depreciated	<u>6,498,827</u>	<u>31,606</u>	<u>-</u>	<u>6,530,433</u>
Capital assets being depreciated:				
Buildings	2,448,357	-	-	2,448,357
Machinery and equipment	2,430,265	103,259	(18,000)	2,515,524
Infrastructure	7,070,473	38,400	-	7,108,873
Total capital assets being depreciated	<u>11,949,095</u>	<u>141,659</u>	<u>(18,000)</u>	<u>12,072,754</u>
Less accumulated depreciation for:				
Buildings	1,068,773	47,019	-	1,115,792
Machinery and equipment	2,319,753	35,485	(18,000)	2,337,238
Infrastructure	2,140,461	144,601	-	2,285,062
Total accumulated depreciation	<u>5,528,987</u>	<u>227,105</u>	<u>(18,000)</u>	<u>5,738,092</u>
Total capital assets being depreciated, net	<u>6,420,108</u>	<u>(85,446)</u>	<u>-</u>	<u>6,334,662</u>
Subtotal, governmental activities	<u>12,918,935</u>	<u>(53,840)</u>	<u>-</u>	<u>12,865,095</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>4,010,708</u>	<u>-</u>	<u>-</u>	<u>4,010,708</u>
Capital assets being depreciated:				
Utility plant	11,824,302	-	-	11,824,302
Buildings	301,374	-	-	301,374
Machinery and equipment	163,657	61,878	-	225,535
Total capital assets being depreciated	<u>12,289,333</u>	<u>61,878</u>	<u>-</u>	<u>12,351,211</u>
Less accumulated depreciation for:				
Utility plant	3,418,025	236,486	-	3,654,511
Buildings	241,891	7,088	-	248,979
Machinery and equipment	123,971	17,320	-	141,291
Total accumulated depreciation	<u>3,783,887</u>	<u>260,894</u>	<u>-</u>	<u>4,044,781</u>
Total capital assets being depreciated, net	<u>8,505,446</u>	<u>(199,016)</u>	<u>-</u>	<u>8,306,430</u>
Subtotal, business-type activities	<u>12,516,154</u>	<u>(199,016)</u>	<u>-</u>	<u>12,317,138</u>
Total, government-wide	<u>\$ 25,435,089</u>	<u>\$ (252,856)</u>	<u>\$ -</u>	<u>\$ 25,182,233</u>

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 5 CAPITAL ASSETS (continued)

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

Governmental activities	
General government	\$ 28,706
Public safety	42,602
Streets and roads	<u>155,797</u>
Total depreciation expense - governmental activities	<u>\$ 227,105</u>
Business-type activities:	
Water fund	\$ 131,092
Sewer fund	<u>129,802</u>
Total depreciation expense - business-type activities	<u>\$ 260,894</u>

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.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 7 LONG-TERM DEBT

The following is a summary of long-term liabilities activity during the year ended June 30, 2013:

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:

	<u>1977 Sewer System Upgrade</u>	
Interest rate	5.00%	
Maturity date	July 1, 2017	
<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 10,000	\$ 1,950
2015	10,000	1,450
2016	12,000	900
2017	12,000	300
	\$ 44,000	\$ 4,600

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:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 12,705	\$ 2,752
2015	13,118	2,339
2016	13,544	1,913
2017	13,983	1,473
2018	38,428	881
	\$ 91,778	\$ 9,358

Changes in the City's long-term debt for the year ended June 30, 2013 was as follows:

	<u>June 30,</u> <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2013</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Capital lease	\$ -	\$ 30,940	\$ 346	\$ 30,594	\$ 4,235
Total governmental activities	\$ -	\$ 30,940	\$ 346	\$ 30,594	\$ 4,235
Business-type activities:					
Capital lease	\$ -	\$ 61,878	\$ 694	\$ 61,184	\$ 8,470
Certificates of Participation	54,000	-	10,000	44,000	10,000
Total business-type activities	\$ 54,000	\$ 61,878	\$ 10,694	\$ 105,184	\$ 18,470

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 8 COMPENSATED ABSENCES

Compensated absence activity for the year ended June 30, 2013 is summarized as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Current Portion
Governmental activities:					
General fund	\$ 93,632	\$ 112,085	\$ 110,457	\$ 95,260	\$ 85,734
Business-type activities:					
Water fund	17,101	22,548	18,578	21,071	18,964
Sewer fund	20,437	17,960	20,345	18,052	16,247
Solid Waste fund	6,735	6,088	3,489	9,334	5,601
Total business-type	<u>44,273</u>	<u>46,596</u>	<u>42,412</u>	<u>48,457</u>	<u>40,812</u>
Total compensated absences	<u>\$ 137,905</u>	<u>\$ 158,681</u>	<u>\$ 152,869</u>	<u>\$ 143,717</u>	<u>\$ 126,546</u>

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 Public 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. 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, 2013 was 7.314% (miscellaneous) and 21.379% (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, 2013 the City’s annual pension cost was \$157,597, which is also the amount the City contributed. The required contribution for the year ended June 30, 2013 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 14.420%, 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, 2013 was 16 years.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 9 PENSION PLAN (continued)

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

Three Year Trend Information:

	June 30, 2013	June 30, 2012	June 30, 2011
Annual Pension Cost (APC)	\$ 157,598	\$ 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, 2011	June 30, 2010	June 30, 2009
Actuarial Accrued Liability (AAL)	\$ 682,375,804	\$ 624,423,437	\$ 582,841,869
Actuarial Value of Assets	639,237,247	594,492,164	553,953,526
Unfunded AAL (UAAL)	43,138,557	29,931,273	28,888,343
Funded Ratio	93.7%	95.2%	95.0%
Annual Covered Payroll	193,877,169	186,777,830	184,319,666
UAAL as % of Payroll	22.3%	16.0%	15.7%

Three Year Trend Information for Safety Plan of CalPERS:

	June 30, 2011	June 30, 2010	June 30, 2009
Actuarial Accrued Liability (AAL)	\$ 87,234,077	\$ 80,550,533	\$ 73,625,106
Actuarial Value of Assets	74,508,206	69,069,025	63,095,026
Unfunded AAL (UAAL)	12,725,871	11,481,508	10,530,080
Funded Ratio	85.4%	85.7%	85.7%
Annual Covered Payroll	21,957,452	21,754,150	21,879,598
UAAL as % of Payroll	58.0%	52.8%	48.1%

NOTE 10 RESTRICTED NET POSITION

Restricted net position is net positions whose use are subject to constraints that are either; (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of governments, or (2) imposed by law through constitutional provisions or enabling legislation.

City of Weed, California
Notes to the Basic Financial Statements
June 30, 2013

NOTE 11 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 12 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 13 PRIOR PERIOD ADJUSTMENT

(A) Reclassification of Fund

In prior years, the City had grouped activity related to an economic development grant with the Special Revenue Fund, rather than with the Community and Economic Development Block Grant Fund. The grant subfund had a negative beginning fund balance, resulting in an increase to beginning fund balance of the Special Revenue Fund and a decrease to beginning fund balance of the Community and Economic Development Block Grant Fund of \$17,210. The adjustment had no effect on the government-wide Statement of Net Position or Statement of Activities.

(B) Loan Receivable

In prior years, the City made a loan under the Community and Economic Development Block Grant Fund that was later determined to be ineligible for the grant. The City transferred the loan receivable of \$35,000 to the general fund and the general fund assumed the expenses related to the grant of \$27,363. However, a payable to the grantor was inadvertently not recorded. The result is a decrease to the fund balance in the general fund of \$27,363 and a decrease to the fund balance of the Community and Economic Development Block Grant Fund of \$35,000. The net effect of the prior period adjustment on the Statement of Activities was a decrease to beginning net position of \$62,363.

REQUIRED SUPPLEMENTARY INFORMATION

City of Weed
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Property taxes	\$ 656,000	\$ 656,000	\$ 626,330	\$ (29,670)
Sales and use taxes	1,060,000	1,060,000	1,233,451	173,451
Transient occupancy taxes	245,000	245,000	239,741	(5,259)
Franchise and other taxes	84,100	84,100	74,405	(9,695)
Licenses and permits	10,900	10,900	9,186	(1,714)
Fines, forfeitures and penalties	31,500	31,500	16,680	(14,820)
Intergovernmental revenues	165,000	165,000	169,361	4,361
Charges for services	129,000	129,000	89,492	(39,508)
Use of money and property	58,000	58,000	59,129	1,129
Other	55,000	53,000	22,640	(30,360)
Total revenues	<u>2,494,500</u>	<u>2,492,500</u>	<u>2,540,415</u>	<u>47,915</u>
<u>EXPENDITURES</u>				
Current:				
General government	462,450	560,103	533,487	26,616
Police protection	1,262,252	1,364,066	1,249,685	114,381
Fire protection	236,617	261,139	206,131	55,008
Streets and roads	364,565	439,964	395,105	44,859
Community and economic development	117,600	114,000	11,604	102,396
Bad debt expense	-	-	77,818	(77,818)
Capital outlay	66,506	84,300	141,659	(57,359)
Debt service	-	-	430	(430)
Total expenditures	<u>2,509,990</u>	<u>2,823,572</u>	<u>2,615,919</u>	<u>207,653</u>
Excess of revenues over (under) expenditures	<u>\$ (15,490)</u>	<u>\$ (331,072)</u>	<u>\$ (75,504)</u>	<u>\$ 255,568</u>

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
REVENUES				
Intergovernmental	\$ 182,000	\$ -	\$ -	\$ -
Use of money and property	200	-	-	-
Loan payments received	<u>98,600</u>	<u>118,600</u>	<u>122,054</u>	<u>3,454</u>
Total revenues	<u>280,800</u>	<u>118,600</u>	<u>122,054</u>	<u>3,454</u>
EXPENDITURES				
Current:				
Loans made	182,000	5,000	-	
Community and economic development	<u>160,000</u>	<u>84,000</u>	<u>70,601</u>	<u>13,399</u>
Total expenditures	<u>342,000</u>	<u>89,000</u>	<u>70,601</u>	<u>13,399</u>
Excess of revenues over (under) expenditures	<u>\$ 120,800</u>	<u>\$ 34,600</u>	<u>\$ 51,453</u>	<u>\$ (9,945)</u>

Note: The City budgets for loan activity by budgeting a revenue for all loan payments received, including principal and interest, and by budgeting expenditures for all new loans made. In the financial statements, these transactions are not reported as revenues or expenditures. The Actual Amounts, shown above, are reported on the same basis used for budgeting and therefore do not agree to the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Excess of revenues over expenditures, as reported above	\$ 51,453
Add:	
Use of money and property	35,072
Less:	
Loan payments received	(122,054)
Bad debt expense	<u>(268,478)</u>
Excess of revenues over expenditures, as reported in the fund financial statements	<u>\$ (304,007)</u>

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, 2013

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Transient occupancy taxes	\$ 65,000	\$ 63,000	\$ 58,169	\$ (4,831)
Intergovernmental	179,993	296,452	255,598	(40,854)
Total revenues	244,993	359,452	313,767	(45,685)
<u>EXPENDITURES</u>				
Current:				
Streets and roads	145,413	228,228	223,867	4,361
Community and economic development	106,000	111,000	111,142	(142)
Capital outlay	32,000	32,000	31,606	394
Total expenses	283,413	371,228	366,615	4,613
Excess of revenues (under) expenditures	\$ (38,420)	\$ (11,776)	\$ (52,848)	\$ (41,072)

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

OTHER REPORTS

**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, and each major fund of City of Weed as of and for the year ended June 30, 2013, 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 January 16, 2014.

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 the 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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*.

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 that entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aiello, Goodrich & Teuscher".

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
January 16, 2014

City of Weed, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Findings - Financial Statement Audit

None

Summary of Prior Audit Findings

None