

CITY OF WESTMORLAND
Westmorland, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2019

CITY OF WESTMORLAND
Westmorland, California

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR., SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Westmorland
Westmorland, 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 the City of Westmorland (City), California, as of and for the fiscal year ended June 30, 2019, 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 the basis of accounting described in Note 1; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion across all opinion units.

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.

Except for the matter described in the "Basis for Disclaimer of Opinion", we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The City does not perform bank reconciliations on an ongoing basis and is not able to reconcile bank balances as of the beginning nor the end of the fiscal year ended June 30, 2019. In addition, there are deficiencies in internal controls over financial report across all financial functions. The effect of these material weaknesses effects the City across all opinion units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the City of Westmorland. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

In January 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Basis of Accounting

As discussed in Note 1 of the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules of the General Fund on pages 35, TDA Special Revenue Fund on page 36, Streets Projects Special Revenue Fund on page 37 and Revolving Loans Special Revenue Fund on page 38 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westmorland’s basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issue our report dated September 28, 2020, on our consideration of the City’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’s internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
September 28, 2020

CITY OF WESTMORLAND
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,882,496	\$ 590,637	\$ 3,473,133
Accounts receivable		58,411	58,411
Interest receivable	1,992		1,992
Notes receivable	1,074,196		1,074,196
Due from successor agency	30,000		30,000
Capital assets not being depreciated	225,246	957,413	1,182,659
Capital assets, net of accumulated depreciation	4,625,656	1,039,994	5,665,650
Total assets	8,839,586	2,646,455	11,486,041
LIABILITIES			
Deposits payable		55,757	55,757
Total liabilities		115,220	115,220
NET POSITION			
Net investment in capital assets	4,850,902	1,997,407	6,848,309
Restricted for:			
Community development	1,461,607		1,461,607
Streets and roads	2,100,821		2,100,821
Unrestricted	426,256	533,828	960,084
Total net position	\$ 8,839,586	\$ 2,531,235	\$ 11,370,821

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 558,003	\$ 29,240	\$ 202,493	\$ -
Public safety	668,962	50,116	117,936	
Culture and leisure	55,342	1,653		
Community development	77,057	17,742		
Streets and roads	121,259		47,593	489,122
Trash services	224,688	233,640		
Total governmental activities	1,705,311	332,391	368,022	489,122
Business-type Activities:				
Water	455,233	396,067		
Wastewater	274,689	266,221		134,387
Total business-type activities	729,922	662,288		134,387
Total primary government	\$ 2,435,233	\$ 994,679	\$ 368,022	\$ 623,509

General Revenues:

Taxes:

- Transient lodging taxes
- Franchise taxes
- Business license taxes
- Property taxes
- Sales and use taxes
- Licenses and permits
- Fines and forfeitures
- Other
- Use of money and property

Total general revenues

Change in net position

Net position - beginning of fiscal year

Prior period adjustments

Net position - beginning of fiscal year, restated

Net position - end of fiscal year

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (326,270)	\$ -	\$ (326,270)
(500,910)		(500,910)
(53,689)		(53,689)
(59,315)		(59,315)
415,456		415,456
8,952		8,952
<u>(515,776)</u>		<u>(515,776)</u>
	(59,166)	(59,166)
	125,919	125,919
	66,753	66,753
<u>(515,776)</u>	<u>66,753</u>	<u>(449,023)</u>
67,029		67,029
14,431		14,431
8,401		8,401
61,391		61,391
146,894		146,894
17,477		17,477
4,270		4,270
67,605		67,605
45,425		45,425
<u>432,923</u>		<u>432,923</u>
<u>(82,853)</u>	<u>66,753</u>	<u>(16,100)</u>
9,316,915	2,464,482	11,781,397
<u>(394,476)</u>		<u>(394,476)</u>
<u>8,922,439</u>	<u>2,464,482</u>	<u>11,386,921</u>
<u>\$ 8,839,586</u>	<u>\$ 2,531,235</u>	<u>\$ 11,370,821</u>

CITY OF WESTMORLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General</u>	<u>TDA</u>
ASSETS		
Cash and investments	\$ 1,144,546	\$ 787,142
Interest receivable	1,992	
Due from other funds	620,252	750,282
Due from successor agency	30,000	
Notes receivable		
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,796,790</u>	<u>\$ 1,537,424</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	<u>\$ 750,282</u>	<u>\$ -</u>
Total liabilities	<u>750,282</u>	<u> </u>
Fund balances:		
Restricted for:		
Streets and roads		1,537,424
Community development		
Unassigned	<u>1,046,508</u>	<u> </u>
Total fund balances	<u>1,046,508</u>	<u>1,537,424</u>
Total liabilities and fund balances	<u>\$ 1,796,790</u>	<u>\$ 1,537,424</u>

See Notes to Basic Financial Statements

Street Projects	Revolving Loans	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 285,884	\$ 664,924	\$ 2,882,496
			1,992
			1,370,534
			30,000
	1,074,196		1,074,196
<u>\$ -</u>	<u>\$ 1,360,080</u>	<u>\$ 664,924</u>	<u>\$ 5,359,218</u>
<u>\$ 620,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370,534</u>
620,252			1,370,534
		563,397	2,100,821
	1,360,080	101,527	1,461,607
<u>(620,252)</u>			<u>426,256</u>
<u>(620,252)</u>	<u>1,360,080</u>	<u>664,924</u>	<u>3,988,684</u>
<u>\$ -</u>	<u>\$ 1,360,080</u>	<u>\$ 664,924</u>	<u>\$ 5,359,218</u>

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CITY OF WESTMORLAND
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balances of governmental funds \$ 3,988,684

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

Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds.

4,850,902

Net position of governmental activities

\$ 8,839,586

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	General	TDA
REVENUES		
Taxes:		
Transient lodging	\$ 67,029	\$ -
Franchise	14,431	
Business license	8,401	
Sales and use	146,894	
Property	61,391	
Licenses and permits	17,477	
Fines and forfeitures	4,270	
Use of money and property	31,682	103
Intergovernmental	434,051	62,297
Charges for services	332,390	
Miscellaneous	67,605	
Total revenues	<u>1,185,621</u>	<u>62,400</u>
EXPENDITURES		
Current:		
General government	448,705	
Public safety	668,962	
Culture and leisure	55,342	
Community development	21,420	
Streets and roads	14,717	36,062
Trash services	224,688	
Capital outlay	234,438	275,190
Total expenditures	<u>1,668,272</u>	<u>311,252</u>
Excess of revenues over (under) expenditures	<u>(482,651)</u>	<u>(248,852)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		
Transfers out		(57,525)
Total other financing sources (uses)		<u>(57,525)</u>
Net change in fund balances	<u>(482,651)</u>	<u>(306,377)</u>
Fund Balances - July 1, 2018	1,512,679	1,843,801
Prior Period Adjustments	<u>16,480</u>	
Fund Balances - July 1, 2018, Restated	<u>1,529,159</u>	<u>1,843,801</u>
Fund Balances (Deficit) - June 30, 2019	<u>\$ 1,046,508</u>	<u>\$ 1,537,424</u>

See Notes to Basic Financial Statements

Street Projects	Revolving Loans	Other Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ 67,029
			14,431
			8,401
			146,894
			61,391
			17,477
			4,270
	13,640		45,425
315,823		44,974	857,145
			332,390
			67,605
<u>315,823</u>	<u>13,640</u>	<u>44,974</u>	<u>1,622,458</u>
			448,705
			668,962
			55,342
	55,637		77,057
53,655		16,825	121,259
			224,688
<u>370,723</u>	<u>239,600</u>		<u>1,119,951</u>
<u>424,378</u>	<u>295,237</u>	<u>16,825</u>	<u>2,715,964</u>
<u>(108,555)</u>	<u>(281,597)</u>	<u>28,149</u>	<u>(1,093,506)</u>
57,525			57,525
			(57,525)
<u>57,525</u>			
<u>(51,030)</u>	<u>(281,597)</u>	<u>28,149</u>	<u>(1,093,506)</u>
(550,413)	984,910	589,422	4,380,399
(18,809)	656,767	47,353	701,791
<u>(569,222)</u>	<u>1,641,677</u>	<u>636,775</u>	<u>5,082,190</u>
<u>\$ (620,252)</u>	<u>\$ 1,360,080</u>	<u>\$ 664,924</u>	<u>\$ 3,988,684</u>

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CITY OF WESTMORLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ (1,093,506)
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	<u>1,010,653</u>
Change in net position of governmental activities	<u>\$ (82,853)</u>

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities		Totals
	Enterprise Funds		
	Water	Wastewater	
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 590,637	\$ 590,637
Due from other funds		58,411	58,411
Total current assets		649,048	649,048
Noncurrent Assets:			
Capital assets not being depreciated	202,212	755,201	957,413
Capital assets, net of accumulated depreciation	1,039,994		1,039,994
Total noncurrent assets	1,242,206	755,201	1,997,407
Total assets	1,242,206	1,404,249	2,646,455
LIABILITIES			
Current Liabilities:			
Accounts payable	1,052		1,052
Due to other funds	58,411		58,411
Deposits payable	55,757		55,757
Total liabilities	115,220		115,220
NET POSITION			
Net investment in capital assets	1,242,206	755,201	1,997,407
Unrestricted	(115,220)	649,048	533,828
Total net position	\$ 1,126,986	\$ 1,404,249	\$ 2,531,235

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds		Totals
	Water	Wastewater	
Operating Revenues:			
Charges for services (net of refunds)	\$ 396,067	\$ 266,221	\$ 662,288
Total operating revenues	396,067	266,221	662,288
Operating Expenses:			
Salaries and benefits	129,811	100,146	229,957
Administration	55,517	23,887	79,404
Supplies and services	183,238	150,656	333,894
Depreciation	86,667		86,667
Total operating expenses	455,233	274,689	729,922
Operating income (loss)	(59,166)	(8,468)	(67,634)
Non-Operating Revenues (Expenses):			
Intergovernmental revenue (expense)		134,387	134,387
Total non-operating revenues (expenses)		134,387	134,387
Changes in net position	(59,166)	125,919	66,753
Total Net Position - beginning of fiscal year	1,186,152	1,278,330	2,464,482
Total Net Position - end of fiscal year	\$ 1,126,986	\$ 1,404,249	\$ 2,531,235

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 396,067	\$ 266,221	\$ 662,288
Cash payments to suppliers for goods and services	(236,146)	(174,543)	(410,689)
Cash payments for employees and benefit programs	(129,811)	(100,146)	(229,957)
Net cash provided (used) by operating activities	30,110	(8,468)	21,642
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Interfund borrowing (repayment)	(30,110)	30,110	
Intergovernmental revenue (expense)		134,259	134,259
Net cash provided (used) by non-capital financing activities	(30,110)	164,369	134,259
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		155,901	155,901
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR		434,736	434,736
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ -</u>	<u>\$ 590,637</u>	<u>\$ 590,637</u>
Reconciliation to Statement of Net Position:			
Cash and investments	\$ -	\$ 590,637	\$ 590,637
CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ 590,637</u>	<u>\$ 590,637</u>

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

(Continued)

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (59,166)	\$ (8,468)	\$ (67,634)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	86,667		86,667
Increase (decrease) in accounts payable	1,052		1,052
Increase (decrease) in deposits payable	1,557		1,557
Total adjustments	89,276		89,276
Net cash provided by (used by) operating activities	\$ 30,110	\$ (8,468)	\$ 21,642

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2019

	<u>Private Purpose Trust Fund RDA Successor Agency</u>
ASSETS	
Cash and investments	\$ 105,182
Prepaid expenses	2,174
Capital assets, net of accumulated depreciation	<u>11,484</u>
Total Assets	<u>118,840</u>
LIABILITIES	
Accounts payable	81,835
Interest payable	1,992
Due to City	30,000
Long-term debt, due in more than one year	<u>320,000</u>
Total Liabilities	<u>433,827</u>
NET POSITION	
Unrestricted	<u>(314,987)</u>
Total Net Position	<u><u>\$ (314,987)</u></u>

See Notes to Basic Financial Statements

CITY OF WESTMORLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust Fund
	RDA
	Successor Agency
	<hr/>
Additions:	
Tax increment	\$ 30,790
Use of money and property	414
	<hr/>
Total additions	31,204
	<hr/>
Deductions:	
Community development	5,078
Interest	39,043
	<hr/>
Total deductions	44,121
	<hr/>
Change in net position	(12,917)
Net Position - July 1, 2018	(302,070)
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Net Position - June 30, 2019	\$ (314,987)
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See Notes to Basic Financial Statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Westmorland, California was incorporated June 30, 1934, under the general laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities. The City of Westmorland, California, operates under a Council-managed form of government and provides the following services as authorized by the California Government Code: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City is governed by a five member Council, elected at large for four years on staggered schedules. The Council selects the Mayor from its members, generally for a one year term. The City has a City Council form of governance with seven publicly elected officials, consisting of five City Council members, a City Clerk, and a City Treasurer.

A key element of the City’s financial management process is the preparation of the annual budget. Each fiscal year the City Council proposes a budget, which includes all current balances and expected revenues and other financing sources of the City, and describes by department how those resources will be utilized. Under terms of various grant and financing agreements, the budget is to be adopted by the end of May, prior to the beginning of each fiscal year. The budget is adopted by motion of the City Council, and if amended, generally is done by resolution.

In evaluating how to define the government, 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 USGAAP. 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 government authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third 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 government is able to exercise oversight responsibilities.

B. Basis of Presentation

The financial statements of the City are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (City). These statements include the financial activities of the overall City government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City’s governmental activities. Direct expenses are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Major Funds

GASB Statement No. 34, defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total of all fund types excluding fiduciary. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

TDA Special Revenue Fund

To account for revenue received from the State under the Articles of the Transportation Development Act (Section 99400(a) of the Public Utilities Code). Uses are restricted to local streets and roads.

Street Projects Special Revenue Fund

To account for street projects funded by intergovernmental grants and local sources.

Revolving Loans Special Revenue Fund

To account for loans given by the City to individuals and local businesses.

The City reported the following major proprietary funds:

Water Fund

This fund accounts for the costs of treatment and distribution of drinking water to the community.

Wastewater Fund

This fund accounts for the costs of collection, treatment, and disposal of sewage generated in the community.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Accounting Policies

The City of Westmorland records transactions, and accordingly, these financial statements were prepared, using the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require all governmental funds to use the modified accrual basis of accounting. Revenues should be recognized when they become measurable and available as net current assets. The City of Westmorland, however, recognizes revenue when it is received by the City.

Taxpayer-assessed income, gross receipts, and sales taxes are recognized when the revenue is received by the City. Refunds of such taxes are recognized when they are paid. Under the modified cash basis of accounting, these taxes are considered "measurable" when received by the City and are recognized as revenue at that time. Refunds of such taxes are recorded as reductions of revenue when they are paid.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is that principal and interest on long-term debt is recognized when due. The modified cash basis of accounting recognizes all expenditures when they are paid.

Accounting principles generally accepted in the United States of America require all proprietary funds and government-wide reporting to use the accrual basis of accounting. Revenues should be recognized when they are earned, and their expenses should be recognized when they are incurred. The modified cash basis of accounting recognizes revenues when received and expenses when paid.

The purchase of capital items in the proprietary funds is recorded as capital assets and depreciated under accounting principles generally accepted in the United States of America. In the governmental funds, the City records these items as expenses when they are paid.

The purchase of capital assets is capitalized and depreciated in the Statement of Net Position and Statement of Activities under GASB Statement No. 34.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accounting principles generally accepted in the United States of America require all governmental funds to use the modified accrual basis of accounting and all proprietary fund types to use the accrual basis of accounting. The City of Westmorland uses the modified cash basis of accounting for all fund types.

The modified cash basis of accounting recognizes all monies received as revenues at the time of receipt and all amounts paid as expenditures at the time of payment with the exception of the following:

1. Long-term notes and loans receivable are set up as assets and note/loan payments received by the City are recorded as reductions of the asset and program income when received.

2. Long term payables are set up as liabilities in the proprietary funds. Principal payments are recorded as reductions of the liabilities when made.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Successor Agency to the Westmorland Community Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

G. Cash and Investments

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate shares of the average weekly cash balance.

Investments are stated at fair value. Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investments with initial maturities of three months or less.

H. Interfund Transactions

Activities between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to (1) move revenues from one fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budget authorizations.

I. Property Tax

The City's property taxes are levied on the first day of January by the County assessor, and are payable to the County tax collector in two installments.

The first installment is due November 1st, and is delinquent after December 10th; the second installment is due February 1st and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction.

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected.

Article 13A of the California Constitution states: "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the Counties and appointed according to law to the districts within the counties."

The City has elected under State law (TEETER) to receive all of the annual property assessments in three installments as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

December	55%
April	40%
June	5%
	100%
	100%

J. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories for governmental funds are recorded as expenditures when consumed rather than when purchased.

K. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, and equipment and \$25,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City, are depreciated using the straight line method over their estimated lives of 2 to 50 years.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits and sick leave. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignation and retirements.

N. Insurance

The City is self-insured for general liability, auto liability, and certain other risks. The City is insured for worker's compensation through the State Compensation Insurance Fund of California. Financial statements for the Fund can be found on their website at www.statefundca.com.

O. Long-term Debt, Discount, Premiums, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories under GASB Statement No. 34. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds are described below.

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted for low-and-moderate income purposes, and gas tax funds for street construction.

Unrestricted describes the portion of net position which is not restricted as to use.

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

Q. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

R. Fiscal Year

The fiscal year of the City begins on July 1 and ends on June 30.

S. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

T. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classifications.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City Council is required to adopt an annual budget resolution by July 1st of each fiscal year for the General Fund, special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with the financial statements.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The City Council made several supplemental budgetary appropriations throughout the fiscal year.

B. Deficit Fund Balances

At June 30, 2019, the following funds had an accumulated deficit:

Fund	Amount
<u>Major Governmental Fund:</u>	
Street Projects Fund	\$ 620,252

This fund balance deficit is primarily due to the City incurring costs in excess of revenues. The Fund should alleviate this deficit as revenues are received.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the following funds had excess of expenditures over appropriations:

Fund	Final Appropriation	Expenditures	Excess
<u>Major Funds:</u>			
<u>General Fund:</u>			
General government	\$ 340,428	\$ 448,705	\$ 108,277
Public safety	586,388	668,962	82,574
Culture and leisure	50,862	55,342	4,480
Community development	16,466	21,420	4,954
Streets and roads	13,224	14,717	1,493
Trash services	217,608	224,688	7,080
Capital outlay		234,438	234,438
TDA Special Revenue Fund	70,188	311,252	241,064
Street Projects Fund	245,051	424,378	179,327
Revolving Loans Fund	32,576	295,237	262,661

CITY OF WESTMORLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

<u>Primary Government:</u>	
Statement of Net Position:	
Cash and investments	\$ 3,473,133
Fiduciary Fund:	
Cash and investments	105,182
Total cash and investments, Statement of Net Position	<u>\$ 3,578,315</u>

Cash and investments as of June 30, 2019 consist of the following:

Deposits with financial institutions	<u>\$ 3,578,315</u>
Total cash and investments	<u>\$ 3,578,315</u>

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Westmorland (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Government Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	10%	None
U.S. Government Agency Issues	5 years	10%	None
Banker's Acceptances	270 days	40%	30%
Commercial Paper, Prime Quality	180 days	40%	10%
Time Certificates of Deposit	3 years	25%	None
Negotiable Certificates of Deposit	3 years	30%	None
Repurchase and Reverse Repurchase Agreements	1 year	20%	None
Medium-Term Notes	5 years	30%	15%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (State Pool)	N/A	None	\$ 50 Million

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage-backed Securities	3 years	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	None	None	None
Negotiable Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments including investments held by bond trustees that are highly sensitive to interest rate fluctuations.

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of 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.

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There was no investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total City investments.

Custodial credit risk for *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 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 the 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 deposits or investments, other than the following provision 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 government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits.

As of June 30, 2019, none of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. The following presents a summary of current interfund balances at June 30, 2019.

Receivable Funds	Amount	Payable Funds	Amount
Major Governmental Funds:		Major Governmental Funds:	
General Fund	\$ 620,252	General Fund	\$ 750,282
TDA Fund	750,282	Street Projects Fund	620,252
Total	<u>\$ 1,370,534</u>	Total	<u>\$ 1,370,534</u>

CITY OF WESTMORLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Interfund Transfers

Transfers are utilized for funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City’s transfer activity for the fiscal year ended June 30, 2019:

Fund	Transfer in	Transfer out
Major Governmental Funds:		
TDA Fund	\$ -	\$ 57,525
Street Projects Fund	57,525	
	<u>\$ 57,525</u>	<u>\$ 57,525</u>

NOTE 5 – LOANS RECEIVABLE

Loan receivable amounts primarily represent loans made for redevelopment, economic development, and property rehabilitation.

Revolving Loans Special Revenue Fund

Deferred notes receivable. No installment payments of principal or interest are required until the loans reach their maturity or underlying property is sold. Secured by deeds of trust. Interest is not accrued on these loans.

\$ 1,074,196
<u>\$ 1,074,196</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance as of July 1, 2018	Prior Period Adjustments	Additions	Deletions	Transfers	Balance as of June 30, 2019
Governmental Activities						
Nondepreciable capital assets						
Land	\$ 221,496	\$ -	\$ 3,750	\$ -	\$ -	\$ 225,246
Construction in progress	2,052,688	(321,323)	885,514		(2,616,879)	
Total nondepreciable capital assets	<u>2,274,184</u>	<u>(321,323)</u>	<u>889,264</u>		<u>(2,616,879)</u>	<u>225,246</u>
Depreciable capital assets						
Equipment	475,900	293,323	73,335			842,558
Improvements	2,850,327	(825,596)			2,616,879	4,641,610
Buildings	2,950,000	28,000	234,438	(200,000)		3,012,438
Total depreciable capital assets	<u>6,276,227</u>	<u>(504,273)</u>	<u>307,773</u>	<u>(200,000)</u>	<u>2,616,879</u>	<u>8,496,606</u>
Less accumulated depreciation						
Equipment	(651,895)		(73,332)			(725,227)
Improvements		(270,671)	(101,237)			(371,908)
Buildings	(2,962,000)		(11,815)	200,000		(2,773,815)
Total accumulated depreciation	<u>(3,613,895)</u>	<u>(270,671)</u>	<u>(186,384)</u>	<u>200,000</u>		<u>(3,870,950)</u>
Net depreciable capital assets	<u>2,662,332</u>	<u>(774,944)</u>	<u>121,389</u>		<u>2,616,879</u>	<u>4,625,656</u>
Net capital assets	<u>\$ 4,936,516</u>	<u>\$ (1,096,267)</u>	<u>\$ 1,010,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,850,902</u>

**CITY OF WESTMORLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance as of July 1, 2018	Additions	Deletions	Balance as of June 30, 2019
Business-type Activities				
Nondepreciable capital assets				
Land	\$ 957,413	\$ -	\$ -	\$ 957,413
Total nondepreciable capital assets	<u>957,413</u>			<u>957,413</u>
Depreciable capital assets				
Buildings	5,900,000			5,900,000
Total depreciable capital assets	<u>5,900,000</u>			<u>5,900,000</u>
Less accumulated depreciation				
Buildings	<u>(4,773,339)</u>	<u>(86,667)</u>		<u>(4,860,006)</u>
Total accumulated depreciation	<u>(4,773,339)</u>	<u>(86,667)</u>		<u>(4,860,006)</u>
Net depreciable capital assets	<u>1,126,661</u>	<u>(86,667)</u>		<u>1,039,994</u>
Net capital assets	<u>\$ 2,084,074</u>	<u>\$ (86,667)</u>	<u>\$ -</u>	<u>\$ 1,997,407</u>

Depreciation expense was charged to functions/programs of the business-types activities as follows:

Water	\$ 86,667
Total Depreciation Expense - Business-type Activities	<u>\$ 86,667</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a materially adverse effect on the financial position of the City.

NOTE 8 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Westmorland (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets units they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12-001.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**CITY OF WESTMORLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

A. Long-term debt of the Successor Agency as of June 30, 2019, consisted of the following:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Tax Allocation Refunding Bonds	\$ 390,000	\$ -	\$ (70,000)	\$ 320,000	\$ -
Totals	<u>\$ 390,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 320,000</u>	<u>\$ -</u>

2011 Tax Allocation Bonds Payable

The Redevelopment Agency issued \$580,000 of 2011 Tax Allocation Refunding Bonds. Interest is payable semiannually each April 1 and October 1 with principal due each October 1 beginning in 2011 with final maturity in 2026. The bonds were issued with interest rates varying between 3.65% and 5.00%. Proceeds from the issue are to be used to finance improvements, fund a reserve account, fund a capitalized interest account, and pay costs of issuance. Tax increment revenue is pledged against the bonds. The balance payable at June 30, 2019 is \$320,000.

The scheduled annual minimum debt service requirements at June 30, 2019 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	40,000	21,150	61,150
2022	40,000	18,650	58,650
2023	40,000	15,950	55,950
2024	45,000	12,869	57,869
2025-2027	155,000	17,219	172,219
Totals	<u>\$ 320,000</u>	<u>\$ 85,838</u>	<u>\$ 405,838</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments in the HOME special revenue fund and General Fund in the amount of \$47,353 and (\$47,353), respectively, were made due to the closing of the HOME special revenue fund into the General Fund in the prior fiscal year.

A prior period adjustment of \$1,096,267 was made on the government-wide statements for governmental activities due to misstatements related to capital assets in the prior fiscal year.

A prior period adjustment of \$656,767 was posted in the Revolving Loans special revenue fund due to understatements related to loans in the prior fiscal year.

Prior period adjustments in the Street Projects special revenue fund and General Fund in the amount of (\$18,809) and \$18,809, respectively, were made due to the closing of a project fund within the Streets Projects fund to the general fund in the prior fiscal year.

A prior period adjustment of \$45,024 was made in the General Fund due to an understatement of cash in the prior fiscal year due to lack of reconciliation of cash balances in the prior fiscal year.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to fiscal year-end, the City may be negatively impacted by the effects of the worldwide coronavirus pandemic. The City is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the City's financial position is not known.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WESTMORLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Transient lodging	\$ 59,563	\$ 59,563	\$ 67,029	\$ 7,466
Franchise	16,950	16,950	14,431	(2,519)
Business license	7,658	7,658	8,401	743
Sales and use	138,881	138,881	146,894	8,013
Property	67,727	67,727	61,391	(6,336)
Licenses and permits	38,719	38,719	17,477	(21,242)
Fines and forfeitures	9,217	9,217	4,270	(4,947)
Use of money and property	10,839	10,839	31,682	20,843
Intergovernmental	415,564	415,564	434,051	18,487
Charges for services	279,672	279,672	332,390	52,718
Miscellaneous	170,030	170,030	67,605	(102,425)
Total revenues	<u>1,214,820</u>	<u>1,214,820</u>	<u>1,185,621</u>	<u>(29,199)</u>
EXPENDITURES				
Current:				
General government	340,428	340,428	448,705	(108,277)
Public safety	586,388	586,388	668,962	(82,574)
Culture and leisure	50,862	50,862	55,342	(4,480)
Community development	16,466	16,466	21,420	(4,954)
Streets and roads	13,224	13,224	14,717	(1,493)
Trash services	217,608	217,608	224,688	(7,080)
Capital outlay			234,438	(234,438)
Total expenditures	<u>1,224,976</u>	<u>1,224,976</u>	<u>1,668,272</u>	<u>(443,296)</u>
Excess of revenues over (under) expenditures	<u>(10,156)</u>	<u>(10,156)</u>	<u>(482,651)</u>	<u>(472,495)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>143,727</u>	<u>143,727</u>		<u>(143,727)</u>
Total other financing sources (uses)	<u>143,727</u>	<u>143,727</u>		<u>(143,727)</u>
Net change in fund balance	<u>133,571</u>	<u>133,571</u>	<u>(482,651)</u>	<u>(616,222)</u>
Fund Balance - July 1, 2018	1,512,679	1,512,679	1,512,679	
Prior Period Adjustments			16,480	16,480
Fund Balance - July 1, 2018, Restated	<u>1,512,679</u>	<u>1,512,679</u>	<u>1,529,159</u>	<u>16,480</u>
Fund Balance - June 30, 2019	<u>\$ 1,646,250</u>	<u>\$ 1,646,250</u>	<u>\$ 1,046,508</u>	<u>\$ (599,742)</u>

CITY OF WESTMORLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TDA SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 275,166	\$ 275,166	\$ 62,297	\$ (212,869)
Use of money and property	103	103	103	
Total revenues	275,269	275,269	62,400	(212,869)
EXPENDITURES				
Current:				
Streets and roads	70,188	70,188	36,062	34,126
Capital outlay			275,190	(275,190)
Total expenditures	70,188	70,188	311,252	(241,064)
Excess of revenues over (under) expenditures	205,081	205,081	(248,852)	(453,933)
OTHER FINANCING SOURCES (USES)				
Transfers out	(147,727)	(147,727)	(57,525)	90,202
Total other financing sources (uses)	(147,727)	(147,727)	(57,525)	90,202
Net change in fund balance	57,354	57,354	(306,377)	(363,731)
Fund Balance - July 1, 2018	1,843,801	1,843,801	1,843,801	
Fund Balance - June 30, 2019	\$ 1,901,155	\$ 1,901,155	\$ 1,537,424	\$ (363,731)

CITY OF WESTMORLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET PROJECTS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 666,411	\$ 666,411	\$ 315,823	\$ (350,588)
Total revenues	666,411	666,411	315,823	(350,588)
EXPENDITURES				
Current:				
Streets and roads	8,179	8,179	53,655	(45,476)
Capital outlay	236,872	236,872	370,723	(133,851)
Total expenditures	245,051	245,051	424,378	(179,327)
Excess of revenues over (under) expenditures	421,360	421,360	(108,555)	(529,915)
OTHER FINANCING SOURCES (USES)				
Transfers in			57,525	57,525
Total other financing sources (uses)			57,525	57,525
Net change in fund balance	421,360	421,360	(51,030)	(472,390)
Fund Balance (Deficit) - July 1, 2018	(569,222)	(569,222)	(569,222)	
Fund Balance (Deficit) - June 30, 2019	\$ (147,862)	\$ (147,862)	\$ (620,252)	\$ (472,390)

CITY OF WESTMORLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REVOLVING LOANS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 58,155	\$ 58,155	\$ 13,640	\$ (44,515)
Total revenues	58,155	58,155	13,640	(44,515)
EXPENDITURES				
Current:				
Community development	32,576	32,576	55,637	(23,061)
Capital outlay			239,600	(239,600)
Total expenditures	32,576	32,576	295,237	(262,661)
Net change in fund balance	25,579	25,579	(281,597)	(307,176)
Fund Balance - July 1, 2018	984,910	984,910	984,910	
Prior Period Adjustments			656,767	656,767
Fund Balances - July 1, 2018, Restated	984,910	984,910	1,641,677	656,767
Fund Balance - June 30, 2019	\$ 1,010,489	\$ 1,010,489	\$ 1,360,080	\$ 349,591

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Gas Tax Fund – To account for City’s share of state gas tax revenue restricted for street improvements and maintenance.

HOME Fund – To account for revenue and expenditure related to the HOME program.

OTC Applications Fund – To account for OTC Applications.

CIRP Fund – To account for CIRP.

CITY OF WESTMORLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Gas Tax	HOME	OTC Applications	CIRP	
ASSETS					
Cash and investments	\$ 563,397	\$ -	\$ 3,275	\$ 98,252	\$ 664,924
Total assets	<u>\$ 563,397</u>	<u>\$ -</u>	<u>\$ 3,275</u>	<u>\$ 98,252</u>	<u>\$ 664,924</u>
FUND BALANCES					
Fund balances:					
Restricted for:					
Streets and roads	\$ 563,397	\$ -	\$ -	\$ -	\$ 563,397
Community development			3,275	98,252	101,527
Total fund balances	<u>\$ 563,397</u>	<u>\$ -</u>	<u>\$ 3,275</u>	<u>\$ 98,252</u>	<u>\$ 664,924</u>

CITY OF WESTMORLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Gas Tax	HOME	OTC Applications	CIRP	
REVENUES					
Intergovernmental	\$ 44,974	\$ -	\$ -	\$ -	\$ 44,974
Total revenues	44,974				44,974
EXPENDITURES					
Current:					
Streets and roads	16,825				16,825
Total expenditures	16,825				16,825
Net change in fund balances	28,149				28,149
Fund balances - beginning of fiscal year	535,248	(47,353)	3,275	98,252	589,422
Prior period adjustments		47,353			47,353
Fund balances - beginning of fiscal year, restated	535,248		3,275	98,252	636,775
Fund balances - end of fiscal year	\$ 563,397	\$ -	\$ 3,275	\$ 98,252	\$ 664,924

