

**CITY OF WESTMORLAND, CALIFORNIA**

Annual Financial Report  
With Independent Auditor's Report Thereon

June 30, 2020

**CITY OF WESTMORLAND, CALIFORNIA**

Annual Financial Report

June 30, 2020

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Westmorland  
Westmorland, California

### **Report on the Audit of 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, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City Westmorland, California'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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Honorable Mayor and Members of the City Council  
City of Westmorland  
Westmorland, California

### **Disclaimer of Opinion**

We do not express an opinion on the accompanying financial statements of the City as of and for the year ended June 30, 2020. Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the fiscal year ended June 30, 2020 consolidated financial statements.

### **Basis for Disclaimer of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

The City was unable to provide adequate evidential matter to support many of the balances in its trial balance for the year ended June 30, 2020, due to missing documents. As a result, we believe that the effect on the financial statements is pervasive, and therefore, we are disclaiming our opinion on these financial statements.

### **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, as listed under the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Honorable Mayor and Members of the City Council  
City of Westmorland  
Westmorland, California

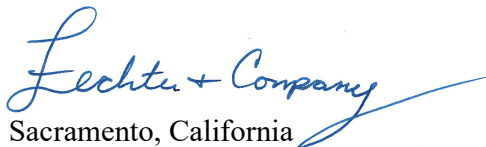
***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor fund 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2024, 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, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.

Fechter & Company  
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Sacramento, California  
August 21, 2024

**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF WESTMORLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,584,700	\$ 714,403	\$ 4,299,103
Accounts receivable	64,334	7,232	71,566
Prepaid expense	-	13,793	13,793
Notes receivable	1,075,128	-	1,075,128
Due from successor agency	30,000	-	30,000
Total current assets	<u>4,754,162</u>	<u>735,428</u>	<u>5,489,590</u>
Non-current assets:			
Capital assets not being depreciated	225,246	957,413	1,182,659
Capital assets, net of accumulated depreciation	5,753,468	1,621,333	7,374,801
Total non-current assets	<u>5,978,714</u>	<u>2,578,746</u>	<u>8,557,460</u>
Total assets	<u>10,732,876</u>	<u>3,314,174</u>	<u>14,047,050</u>
<b>LIABILITIES</b>			
Accounts payable	30,048	26,587	56,635
Accrued liabilities	8,657	55,334	63,991
Long-term liabilities:			
Due within one year	144,775	58,537	203,312
Due in more than one year	1,394,467	644,627	2,039,094
Total liabilities	<u>1,577,947</u>	<u>785,085</u>	<u>2,363,032</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,978,714	1,875,582	7,854,296
Restricted for:			
Community development	1,481,496	-	1,481,496
Streets and roads	2,747,222	-	2,747,222
Unrestricted	(1,052,503)	653,507	(398,996)
Total net position	<u>\$ 9,154,929</u>	<u>\$ 2,529,089</u>	<u>\$ 11,684,018</u>

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



**CITY OF WESTMORLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activites	Business- Type Activites	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government	\$ 447,982	\$ 25,560	\$ 286,354	\$ -	\$ (136,068)	\$ -	\$ (136,068)
Public safety	624,065	62,967	166,768	-	(394,330)	-	(394,330)
Streets and roads	412,130	-	66,140	363,493	17,503	-	17,503
Culture and leisure	109,097	3,231	-	-	(105,866)	-	(105,866)
Community development	11,384	-	-	-	(11,384)	-	(11,384)
Trash services	230,833	247,701	-	-	16,868	-	16,868
Total governmental activities	<u>1,835,491</u>	<u>339,459</u>	<u>519,262</u>	<u>363,493</u>	<u>(613,277)</u>	<u>-</u>	<u>(613,277)</u>
Business-type activities:							
Water	496,382	484,714	-	-	-	(11,668)	(11,668)
Wastewater	295,762	305,284	-	-	-	9,522	9,522
Total business-type activities	<u>792,144</u>	<u>789,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,146)</u>	<u>(2,146)</u>
Total primary government	<u>\$ 2,627,635</u>	<u>\$ 1,129,457</u>	<u>\$ 519,262</u>	<u>\$ 363,493</u>	<u>(613,277)</u>	<u>(2,146)</u>	<u>(615,423)</u>
General revenues:							
Taxes:							
Property taxes					89,885	-	89,885
Sales and use taxes					345,802	-	345,802
Transient lodging taxes					47,776	-	47,776
Franchise taxes					19,143	-	19,143
Business license taxes					8,590	-	8,590
Licenses and permits					8,210	-	8,210
Fines and forfeitures					3,075	-	3,075
Use of money and property					49,586	-	49,586
Other					53,991	-	53,991
Total general revenues					<u>626,058</u>	<u>-</u>	<u>626,058</u>
Change in net position					12,781	(2,146)	10,635
Net position - beginning					8,839,586	2,531,235	11,370,821
Prior period adjustments					302,562	-	302,562
Net position - beginning, restated					<u>9,142,148</u>	<u>2,531,235</u>	<u>11,673,383</u>
Net position - ending					<u>\$ 9,154,929</u>	<u>\$ 2,529,089</u>	<u>\$11,684,018</u>

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

**BASIC FINANCIAL STATEMENTS**  
**FUND FINANCIAL STATEMENTS**

**CITY OF WESTMORLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<u>General</u>	<u>Transportation</u>	<u>Street Projects</u>
<b>ASSETS</b>			
Cash and investments	\$ 248,403	\$ 2,324,866	\$ -
Accounts receivable	41,807	22,527	-
Due from other funds	794,873	-	-
Due from successor agency	30,000	-	-
Notes receivable	-	-	-
Total assets	<u>\$ 1,115,083</u>	<u>\$ 2,347,393</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 28,167	\$ 1,475	\$ 200
Accrued liabilities	8,657	-	-
Due to other funds	-	203,553	591,320
Total liabilities	<u>36,824</u>	<u>205,028</u>	<u>591,520</u>
<b>FUND BALANCES</b>			
Restricted for:			
Streets and roads	-	2,142,365	-
Community development	-	-	-
Unassigned	1,078,259	-	(591,520)
Total fund balances	<u>1,078,259</u>	<u>2,142,365</u>	<u>(591,520)</u>
Total liabilities and fund balances	<u>\$ 1,115,083</u>	<u>\$ 2,347,393</u>	<u>\$ -</u>

(continued)

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

**CITY OF WESTMORLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2020**

	Revolving Loans	Gas Tax	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 312,890	\$ 604,857	\$ 93,684	\$ 3,584,700
Accounts receivable	-	-	-	64,334
Due from other funds	-	-	-	794,873
Due from successor agency	-	-	-	30,000
Notes receivable	1,075,128	-	-	1,075,128
Total assets	<u>\$ 1,388,018</u>	<u>\$ 604,857</u>	<u>\$ 93,684</u>	<u>\$ 5,549,035</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 77	\$ -	\$ 129	\$ 30,048
Accrued liabilities	-	-	-	8,657
Due to other funds	-	-	-	794,873
Total liabilities	<u>77</u>	<u>-</u>	<u>129</u>	<u>833,578</u>
<b>FUND BALANCES</b>				
Restricted for:				
Streets and roads	-	604,857	-	2,747,222
Community development	1,387,941	-	93,555	1,481,496
Unassigned	-	-	-	486,739
Total fund balances	<u>1,387,941</u>	<u>604,857</u>	<u>93,555</u>	<u>4,715,457</u>
Total liabilities and fund balances	<u>\$ 1,388,018</u>	<u>\$ 604,857</u>	<u>\$ 93,684</u>	<u>\$ 5,549,035</u>

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

**CITY OF WESTMORLAND  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

<b>Total fund balances - governmental funds</b>	<b>\$ 4,715,457</b>
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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.	5,978,714
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences liability	(18,147)
Long-term debt	<u>(1,521,095)</u>

<b>Net position of governmental activities</b>	<b><u><u>\$ 9,154,929</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF WESTMORLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

	<u>General</u>	<u>Transportation</u>	<u>Street Projects</u>
<b>REVENUES:</b>			
Taxes	\$ 511,196	\$ -	\$ -
Licenses and permits	8,210	-	-
Intergovernmental	459,390	331,161	32,332
Charges for services	339,459	-	-
Fines and forfeitures	3,075	-	-
Use of money and property	33,709	3,673	-
Miscellaneous	53,991	-	-
	<u>1,409,030</u>	<u>334,834</u>	<u>32,332</u>
<b>EXPENDITURES:</b>			
Current:			
General government	421,862	-	-
Public safety	605,908	-	-
Streets and roads	8,095	18,713	3,599
Culture and leisure	96,524	-	-
Community development	11,307	-	-
Trash services	230,833	-	-
Capital outlay	758	-	-
	<u>1,375,287</u>	<u>18,713</u>	<u>3,599</u>
Net change in fund balances	<u>33,743</u>	<u>316,121</u>	<u>28,733</u>
Fund balances - beginning	1,046,508	1,537,424	(620,253)
Prior period adjustment	(1,992)	288,820	-
Fund balances - beginning, restated	<u>1,044,516</u>	<u>1,826,244</u>	<u>(620,253)</u>
Fund balances - ending	<u>\$ 1,078,259</u>	<u>\$ 2,142,365</u>	<u>\$ (591,520)</u>

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

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**CITY OF WESTMORLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

	Revolving Loans	Gas Tax	Other Governmental Funds	Total
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 511,196
Licenses and permits	-	-	-	8,210
Intergovernmental	-	59,872	-	882,755
Charges for services	-	-	-	339,459
Fines and forfeitures	-	-	-	3,075
Use of money and property	12,204	-	-	49,586
Miscellaneous	-	-	-	53,991
<b>Total revenues</b>	<b>12,204</b>	<b>59,872</b>	<b>-</b>	<b>1,848,272</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	-	-	7,973	429,835
Public safety	-	-	-	605,908
Streets and roads	-	18,412	-	48,819
Culture and leisure	-	-	-	96,524
Community development	77	-	-	11,384
Trash services	-	-	-	230,833
Capital outlay	-	-	-	758
<b>Total expenditures</b>	<b>77</b>	<b>18,412</b>	<b>7,973</b>	<b>1,424,061</b>
<b>Net change in fund balances</b>	<b>12,127</b>	<b>41,460</b>	<b>(7,973)</b>	<b>424,211</b>
Fund balances - beginning	1,360,080	563,397	101,528	3,988,684
Prior period adjustment	15,734	-	-	302,562
Fund balances - beginning, restated	1,375,814	563,397	101,528	4,291,246
<b>Fund balances - ending</b>	<b>\$ 1,387,941</b>	<b>\$ 604,857</b>	<b>\$ 93,555</b>	<b>\$ 4,715,457</b>

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

**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 YEAR ENDED  
JUNE 30, 2020**

Net change in fund balances - total governmental funds \$ 424,211

Amounts reported for governmental activities in the Statement  
of Activities are different 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 and reported as  
depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital asset adjustments	-	
Less: current year depreciation	<u>(393,283)</u>	(393,283)

Expenditures in the Statement of Activities that do not require the  
use of current financial resources are not reported as expenditures  
in the funds:

Change in the compensated absences liability	<u>(18,147)</u>	
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Change in net position of governmental activities	<u><u>\$ 12,781</u></u>	
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The accompanying notes are an integral part of these financial statements.



**CITY OF WESTMORLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Business-type Activities Enterprise Funds		
	Water	Wastewater	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 33,895	\$ 680,508	\$ 714,403
Accounts receivable	3,986	3,246	7,232
Prepaid expense	13,793	-	13,793
Total current assets	<u>51,674</u>	<u>683,754</u>	<u>735,428</u>
Non-current assets:			
Capital assets not being depreciated	202,212	755,201	957,413
Capital assets, net of accumulated depreciation	1,482,282	139,051	1,621,333
Total non-current assets	<u>1,684,494</u>	<u>894,252</u>	<u>2,578,746</u>
Total assets	<u>1,736,168</u>	<u>1,578,006</u>	<u>3,314,174</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	8,721	17,866	26,587
Accrued liabilities	55,334	-	55,334
Loan payable - current	46,352	12,185	58,537
Total current liabilities	<u>110,407</u>	<u>30,051</u>	<u>140,458</u>
Non-current liabilities:			
Loan payable - non-current	510,443	134,184	644,627
Total liabilities	<u>620,850</u>	<u>164,235</u>	<u>785,085</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,127,699	747,883	1,875,582
Unrestricted	(12,381)	665,888	653,507
Total net position	<u>\$ 1,115,318</u>	<u>\$ 1,413,771</u>	<u>\$ 2,529,089</u>

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

**CITY OF WESTMORLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

	Business-type Activities Enterprise Funds		
	Water	Wastewater	Total
<b>Operating Revenues</b>			
Charges for services (net of refunds)	\$ 484,714	\$ 305,284	\$ 789,998
Total operating revenues	<u>484,714</u>	<u>305,284</u>	<u>789,998</u>
<b>Operating Expenses</b>			
Salaries and benefits	127,959	94,233	222,192
Administration	43,974	27,359	71,333
Supplies and services	209,942	166,852	376,794
Depreciation	114,507	7,318	121,825
Total operating expenses	<u>496,382</u>	<u>295,762</u>	<u>792,144</u>
Change in net position	(11,668)	9,522	(2,146)
Net position - beginning	<u>1,126,986</u>	<u>1,404,249</u>	<u>2,531,235</u>
Net position - ending	<u>\$ 1,115,318</u>	<u>\$ 1,413,771</u>	<u>\$ 2,529,089</u>

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

**CITY OF WESTMORLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED  
JUNE 30, 2020**

	Business-type Activities Enterprise Funds		
	Water	Wastewater	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers and users	\$ 480,728	\$ 302,038	\$ 782,766
Cash payments to suppliers for goods and services	(260,463)	(176,345)	(436,808)
Cash payments for employees and benefit programs	(127,959)	(94,233)	(222,192)
<b>Net cash provided by operating activities</b>	<u>92,306</u>	<u>31,460</u>	<u>123,766</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Interfund borrowing (repayment)	(58,411)	-	(58,411)
<b>Net cash used by noncapital financing activities</b>	<u>(58,411)</u>	<u>-</u>	<u>(58,411)</u>
<b>Net increase in cash and cash equivalents</b>	33,895	31,460	65,355
Cash and cash equivalents, beginning of year	-	649,048	649,048
Cash and cash equivalents, end of year	<u>\$ 33,895</u>	<u>\$ 680,508</u>	<u>\$ 714,403</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ (11,668)	\$ 9,522	\$ (2,146)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	114,507	7,318	121,825
Changes in assets and liabilities:			
Increase in accounts receivable	(3,986)	(3,246)	(7,232)
Increase in prepaid expense	(13,793)	-	(13,793)
Increase in accounts payable	7,669	17,866	25,535
Decrease in accrued liabilities	(423)	-	(423)
Total adjustments	<u>103,974</u>	<u>21,938</u>	<u>125,912</u>
<b>Net cash provided by operating activities</b>	<u>\$ 92,306</u>	<u>\$ 31,460</u>	<u>\$ 123,766</u>

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

**CITY OF WESTMORLAND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2020**

	Private Purpose Trust Fund
	RDA Successor Agency
<b>ASSETS</b>	
Cash and investments	\$ 101,523
Prepaid expenses	1,867
Capital assets, net of accumulated depreciation	11,484
Total assets	114,874
<b>LIABILITIES</b>	
Accounts payable	6,832
Due to City	30,000
Long-term debt, due in more than one year	280,000
Total liabilities	316,832
<b>NET POSITION</b>	
Unrestricted	(201,958)
Total net position	\$ (201,958)

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

**CITY OF WESTMORLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

	Private Purpose Trust Fund
	RDA Successor Agency
<b>ADDITIONS:</b>	
Tax increment	\$ 38,229
Use of money and property	13
Total additions	38,242
<b>DEDUCTIONS:</b>	
Community development	16,332
Interest	32,827
Total deductions	49,159
Change in net position	(10,917)
Net position - beginning	(314,987)
Prior period adjustment	123,946
Net position - beginning, restated	(191,041)
Net position - ending	\$ (201,958)

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

**NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF WESTMORLAND, CALIFORNIA

Notes to the Financial Statements  
June 30, 2020

## 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 also has a City Clerk and a City Treasurer which are appointed positions.

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 June, 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 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 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.

# CITY OF WESTMORLAND, CALIFORNIA

Notes to the Financial Statements  
June 30, 2020

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### B. Basis of Presentation

#### 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.

#### 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.

Governmental funds financial statements include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Governmental funds are accounted for using the current financial resources measurement focus and the modified basis of accounting, 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.

Proprietary fund financial statements include a Statement of Net 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.



# CITY OF WESTMORLAND, CALIFORNIA

Notes to the Financial Statements  
June 30, 2020

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### B. Basis of Presentation, continued

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.

#### **TRANSPORTATION 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.

#### **Gas Tax Fund**

To account for the City's share of state gas tax revenue restricted for street improvements and maintenance.

In addition, the City reports the following non-major governmental funds:

#### **OTC Applications Fund**

To account for an Over the Counter (OTC) grant under the Department of Housing and Community Development's Community Development Block Grant (CDBG) Program.

#### **CIRP Fund**

To account for the Capital Improvement Replacement Program (CIRP).

# CITY OF WESTMORLAND, CALIFORNIA

Notes to the Financial Statements  
June 30, 2020

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### C. Major Funds, continued

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

#### **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.

### D. Accounting Policies

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Accounting principles generally accepted in the United States of America require all governmental funds to use the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days after the end of the fiscal year.

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 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 expenditures when they are incurred.

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

# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### **E. 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.

#### **F. 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. 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.

#### **G. 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.

# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### H. Property Taxes

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:

December	55%
April	40%
June	5%

#### I. 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.

#### J. 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.

# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### K. 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.

#### L. 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](http://www.statefundca.com).

#### M. 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 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 expensed during the current period.

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.

#### N. 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.

# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### O. 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.

#### P. 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, 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.

#### Q. 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.

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**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, 2020, the following funds had an accumulated deficit:

<u>Fund</u>	<u>Amount</u>
<u>Major Governmental Fund:</u>	
Street Projects Fund	\$ 591,520
 <u>Fiduciary Fund:</u>	
RDA Successor Agency	201,958

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, 2020, the following fund had excess of expenditures over appropriations:

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major Fund:</u>			
Gas Tax Fund	\$ 16,825	\$ 18,412	\$ 1,587

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

<u>Primary Government:</u>	
Statement of Net Position:	
Cash and investments	\$ 4,299,103
Fiduciary Fund:	
Cash and investments	<u>101,523</u>
 Total Cash and Investments	 <u><u>\$ 4,400,626</u></u>

Cash and investments as of June 30, 2020, consist of the following:	
Deposits with financial institutions	\$ 3,116,649
Money market funds	<u>1,283,977</u>
 Total Cash and Investments	 <u><u>\$ 4,400,626</u></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
Bankers' 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



# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 3 – CASH AND INVESTMENTS, continued

#### 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
Bankers' 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

#### C. Disclosures Relating 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.

# CITY OF WESTMORLAND, CALIFORNIA

## Notes to the Financial Statements June 30, 2020

### NOTE 3 – CASH AND INVESTMENTS, continued

#### 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, 2020, 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, 2020.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Funds:		Major Governmental Funds:	
General Fund	\$ 794,873	Transportation Fund	\$ 203,553
Total	\$ 794,873	Street Projects Fund	591,320
		Total	\$ 794,873

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**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. There were no interfund transfers during the year ended June 30, 2020.

**NOTE 5 – NOTES RECEIVABLE**

Notes 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.

\$1,075,128

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

<b>Governmental Activities</b>	<b>Balance at July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2020</b>
Nondepreciable capital assets				
Land	\$ 225,246	\$ -	\$ -	\$ 225,246
Construction in progress	-	-	-	-
Total nondepreciable capital assets	<u>225,246</u>	<u>-</u>	<u>-</u>	<u>225,246</u>
Depreciable capital assets				
Equipment	842,558	-	-	842,558
Improvements	4,641,610	1,521,095	-	6,162,705
Buildings	3,012,438	-	-	3,012,438
Total depreciable capital assets	<u>8,496,606</u>	<u>1,521,095</u>	<u>-</u>	<u>10,017,701</u>
Less accumulated depreciation				
Equipment	(725,227)	(73,332)	-	(798,559)
Improvements	(371,908)	(308,136)	-	(680,044)
Buildings	(2,773,815)	(11,815)	-	(2,785,630)
Total accumulated depreciation	<u>(3,870,950)</u>	<u>(393,283)</u>	<u>-</u>	<u>(4,264,233)</u>
Net depreciable capital assets	<u>4,625,656</u>	<u>1,127,812</u>	<u>-</u>	<u>5,753,468</u>
Governmental activities capital assets, net	<u>\$ 4,850,902</u>	<u>\$ 1,127,812</u>	<u>\$ -</u>	<u>\$ 5,978,714</u>
<b>Business-Type Activities</b>	<b>Balance at July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2020</b>
Nondepreciable capital assets				
Land	\$ 957,413	\$ -	\$ -	\$ 957,413
Total nondepreciable capital assets	<u>957,413</u>	<u>-</u>	<u>-</u>	<u>957,413</u>
Depreciable capital assets				
Improvements	-	703,164	-	703,164
Buildings	5,900,000	-	-	5,900,000
Total depreciable capital assets	<u>5,900,000</u>	<u>703,164</u>	<u>-</u>	<u>6,603,164</u>
Less accumulated depreciation				
Improvements	-	(35,158)	-	(35,158)
Buildings	(4,860,006)	(86,667)	-	(4,946,673)
Total accumulated depreciation	<u>(4,860,006)</u>	<u>(121,825)</u>	<u>-</u>	<u>(4,981,831)</u>
Net depreciable capital assets	<u>1,039,994</u>	<u>581,339</u>	<u>-</u>	<u>1,621,333</u>
Business-type activities, capital assets, net	<u>\$ 1,997,407</u>	<u>\$ 581,339</u>	<u>\$ -</u>	<u>\$ 2,578,746</u>

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**NOTE 6 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
Public safety	\$ 18,157	Water services	\$ 114,507
Streets and roads	363,311	Sewer services	<u>7,318</u>
Culture and leisure	11,815	Total	<u><u>\$ 121,825</u></u>
Total	<u><u>\$ 393,283</u></u>		

**NOTE 7 – LONG-TERM LIABILITIES**

The City entered into a development agreement with the Love’s Country Stores of California, Inc. (Love’s) in November 2017 to begin and complete construction of the new Love’s Travel Stop within city limits. Love’s Travel Stop commenced operations in July of 2019. Under the agreement, Love’s is required to construct or pay for certain offsite public infrastructure improvements, including sanitary sewer lines, storm drainage improvements, water lines, and general improvements that will provide benefits to the City and Love’s. The City agreed to reimburse Love’s for off-site public infrastructure improvements from future sales tax revenues up to the actual costs incurred by Love’s for the off-site public infrastructure improvements. Therefore, the City recorded an interest-free loan payable to Love’s for the cost of the public infrastructure improvements, or \$2,224,259, in the fiscal year ended June 30, 2020. The improvements and the offsetting loan payable has been allocated to the benefitting funds as follows: Gas Tax Fund – 68%, Water Fund – 25%, and Sewer Fund – 7%. The improvements have been included in the additions column on the capital asset schedule in Note 6 of this report.

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
Compensated absences liability	\$ -	\$ 18,147	\$ -	\$ 18,147	\$ 18,147
Loan payable	-	1,521,095	-	1,521,095	126,628
Total Governmental Activities	<u><u>\$ -</u></u>	<u><u>\$ 1,539,242</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,539,242</u></u>	<u><u>\$ 144,775</u></u>
<b>Business-type Activities</b>					
Loan payable	\$ -	\$ 703,164	\$ -	\$ 703,164	\$ 58,537
Total Business-type Activities	<u><u>\$ -</u></u>	<u><u>\$ 703,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 703,164</u></u>	<u><u>\$ 58,537</u></u>

**NOTE 8 – 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.

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**NOTE 9 – 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 until 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 of 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 the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Long-term debt of the Successor Agency as of June 30, 2020, consisted of the following:

	<b>Balance at July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2020</b>	<b>Due within one year</b>
Tax Allocation Refunding Bonds	\$ 320,000	\$ -	\$(40,000)	\$ 280,000	\$ -
Total Fiduciary Funds	\$ 320,000	\$ -	\$(40,000)	\$ 280,000	\$ -

**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, 2020 is \$280,000.

**CITY OF WESTMORLAND, CALIFORNIA**

Notes to the Financial Statements  
June 30, 2020

**NOTE 9 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, continued**

The scheduled annual minimum debt service requirements at June 30, 2020 are as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ -	\$ 9,950	\$ 9,950
2022	40,000	18,650	58,650
2023	40,000	15,950	55,950
2024	45,000	12,869	57,869
2025	50,000	9,425	59,425
2026-2027	105,000	7,794	112,794
<b>Total</b>	<b>\$ 280,000</b>	<b>\$ 74,638</b>	<b>\$ 354,638</b>

**NOTE 10 – PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were recorded for the fiscal year ended June 30, 2020:

	<u>Governmental Funds/Governmental Activities</u>				<u>Fiduciary Fund</u>
	<u>General</u>	<u>Transportation</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>RDA Successor Agency</u>
Interest receivable from the RDA fund which will not be collected.	\$ (1,992)	\$ -	\$ -	\$ (1,992)	\$ 1,992
Adjust the beginning balance in loans receivable.	-	-	15,734	15,734	-
Additional accrued grant revenue	-	22,527	-	22,527	-
Additional accrued sales tax revenue including interest	-	266,293	-	266,293	-
Prepaid interest expense erroneously included in interest expense for Fiscal Year 2019	-	-	-	-	10,119
Correct repayment from Department of Finance to the City's RDA	-	-	-	-	30,000
Adjustment to administrative costs incurred in prior years	-	-	-	-	81,835
<b>Total adjustments</b>	<b>\$ (1,992)</b>	<b>\$ 288,820</b>	<b>\$ 15,734</b>	<b>\$ 302,562</b>	<b>\$ 123,946</b>

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 21, 2024, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF WESTMORLAND  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 298,048	\$ 298,048	\$ 511,196	\$ 213,148
Licenses and permits	4,549	4,549	8,210	3,661
Intergovernmental	283,741	283,741	459,390	175,649
Charges for services	354,656	354,656	339,459	(15,197)
Fines and forfeitures	4,270	4,270	3,075	(1,195)
Use of money and property	21,767	21,767	33,709	11,942
Miscellaneous	76,041	76,041	53,991	(22,050)
<b>Total revenues</b>	<b>1,043,072</b>	<b>1,043,072</b>	<b>1,409,030</b>	<b>365,958</b>
<b>EXPENDITURES:</b>				
Current:				
General government	386,685	386,685	421,862	(35,177)
Public safety	549,151	549,151	605,908	(56,757)
Streets and roads	14,718	14,718	8,095	6,623
Culture and leisure	49,915	49,915	96,524	(46,609)
Community development	21,420	21,420	11,307	10,113
Trash services	224,687	224,687	230,833	(6,146)
Capital outlay	128,865	128,865	758	128,107
<b>Total expenditures</b>	<b>1,375,441</b>	<b>1,375,441</b>	<b>1,375,287</b>	<b>154</b>
<b>Net change in fund balances</b>	<b>(332,369)</b>	<b>(332,369)</b>	<b>33,743</b>	<b>366,112</b>
Fund balances - beginning	1,046,508	1,046,508	1,046,508	-
Prior period adjustment	(1,992)	(1,992)	(1,992)	-
Fund balances - beginning, restated	1,044,516	1,044,516	1,044,516	-
<b>Fund balances - ending</b>	<b>\$ 712,147</b>	<b>\$ 712,147</b>	<b>\$ 1,078,259</b>	<b>\$ 366,112</b>

**CITY OF WESTMORLAND  
BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED  
JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 579,906	\$ 579,906	\$ 331,161	\$ (248,745)
Use of money and property	103	103	3,673	3,570
 Total revenues	 580,009	 580,009	 334,834	 (245,175)
<b>EXPENDITURES:</b>				
Current:				
Streets and roads	64,064	64,064	18,713	45,351
Capital outlay	265,190	265,190	-	265,190
 Total expenditures	 329,254	 329,254	 18,713	 310,541
 Net change in fund balances	 250,755	 250,755	 316,121	 65,366
Fund balances - beginning	1,537,424	1,537,424	1,537,424	-
Prior period adjustment	288,820	288,820	288,820	-
Fund balances - beginning, restated	1,826,244	1,826,244	1,826,244	-
 Fund balances - ending	 <u>\$ 2,076,999</u>	 <u>\$ 2,076,999</u>	 <u>\$ 2,142,365</u>	 <u>\$ 65,366</u>

**CITY OF WESTMORLAND  
BUDGETARY COMPARISON SCHEDULE  
STREET PROJECTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED  
JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 44,459	\$ 44,459	\$ 32,332	\$ (12,127)
Total revenues	<u>44,459</u>	<u>44,459</u>	<u>32,332</u>	<u>(12,127)</u>
<b>EXPENDITURES:</b>				
Current:				
Streets and roads	23,880	23,880	3,599	20,281
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>33,880</u>	<u>33,880</u>	<u>3,599</u>	<u>30,281</u>
Net change in fund balances	<u>10,579</u>	<u>10,579</u>	<u>28,733</u>	<u>18,154</u>
Fund balances - beginning	<u>(620,253)</u>	<u>(620,253)</u>	<u>(620,253)</u>	<u>-</u>
Fund balances - ending	<u><u>\$ (609,674)</u></u>	<u><u>\$ (609,674)</u></u>	<u><u>\$ (591,520)</u></u>	<u><u>\$ 18,154</u></u>

**CITY OF WESTMORLAND  
BUDGETARY COMPARISON SCHEDULE  
REVOLVING LOANS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED  
JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Use of money and property	825	825	12,204	11,379
<b>Total revenues</b>	<b>25,825</b>	<b>25,825</b>	<b>12,204</b>	<b>(13,621)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	41,880	41,880	77	41,803
<b>Total expenditures</b>	<b>41,880</b>	<b>41,880</b>	<b>77</b>	<b>41,803</b>
<b>Net change in fund balances</b>	<b>(16,055)</b>	<b>(16,055)</b>	<b>12,127</b>	<b>28,182</b>
Fund balances - beginning	1,360,080	1,360,080	1,360,080	-
Prior period adjustment	15,734	15,734	15,734	-
Fund balances - beginning, restated	1,375,814	1,375,814	1,375,814	-
<b>Fund balances - ending</b>	<b>\$ 1,359,759</b>	<b>\$ 1,359,759</b>	<b>\$ 1,387,941</b>	<b>\$ 28,182</b>

**CITY OF WESTMORLAND  
 BUDGETARY COMPARISON SCHEDULE  
 GAS TAX SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED  
 JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 41,134	\$ 41,134	\$ 59,872	\$ 18,738
Total revenues	<u>41,134</u>	<u>41,134</u>	<u>59,872</u>	<u>18,738</u>
EXPENDITURES:				
Current:				
Streets and roads	<u>16,825</u>	<u>16,825</u>	<u>18,412</u>	<u>(1,587)</u>
Total expenditures	<u>16,825</u>	<u>16,825</u>	<u>18,412</u>	<u>(1,587)</u>
Net change in fund balances	<u>24,309</u>	<u>24,309</u>	<u>41,460</u>	<u>17,151</u>
Fund balances - beginning	<u>563,397</u>	<u>563,397</u>	<u>563,397</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 587,706</u></u>	<u><u>\$ 587,706</u></u>	<u><u>\$ 604,857</u></u>	<u><u>\$ 17,151</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF WESTMORLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

	OTC Applications	CIRP	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 2,901	\$ 90,783	\$ 93,684
Total assets	\$ 2,901	\$ 90,783	\$ 93,684
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 129	\$ -	\$ 129
Total liabilities	129	-	129
<b>FUND BALANCES</b>			
Restricted for:			
Community development	2,772	90,783	93,555
Total fund balances	2,772	90,783	93,555
Total liabilities and fund balances	\$ 2,901	\$ 90,783	\$ 93,684

**CITY OF WESTMORLAND  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED  
 JUNE 30, 2020**

	OTC Applications	CIRP	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>EXPENDITURES:</b>			
Current:			
General government	504	7,469	7,973
Total expenditures	504	7,469	7,973
Net change in fund balances	(504)	(7,469)	(7,973)
Fund balances - beginning	3,276	98,252	101,528
Fund balances - ending	\$ 2,772	\$ 90,783	\$ 93,555



**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

Honorable Mayor and Members of the City Council  
City of Westmorland  
Westmorland, California

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Westmorland, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated August 21, 2024. Our report disclaims an opinion on such financial statements due to the City being unable to provide adequate evidential matter to support many of the balances in its trial balance for the year ended June 30, 2020, due to missing documents.

**Report on Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of City, we considered City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2020-1, 2020-2, and 2020-3 to be material weaknesses.

A significant deficiency is a deficiency, or a 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.

Honorable Mayor and Members of the City Council  
City of Westmorland  
Westmorland, California

### **Report on Compliance and Other Matters**

In connection with our engagement to audit the financial statements of City, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.

Fechter & Company  
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Sacramento, California  
August 21, 2024



**CITY OF WESTMORLAND**

**Schedule of Findings and Responses  
June 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**Finding 2020-01**

**Recording of Revenues and Expenditures in the Proper Fiscal Year**

Criteria

Internal controls should be in place that provide reasonable assurance that the trial balances used in the financial statement preparation process are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Condition

During the audit, a significant number of audit adjustments were needed to produce GAAP-compliant financial statements. For example, we found several instances of revenue and expenditures being recorded in the wrong fiscal year. For revenues, we found a few instances in which revenues were recorded when the cash was received rather than when the revenue had actually been earned. For expenditures, there were a few instances of expenditures being recorded when the expenditure was paid instead of when the expenditure had been incurred.

Cause

The City has not implemented policies and procedures to ensure GAAP reporting, nor has the City fully implemented year-end financial statement closing policies and procedures.

Effect of condition

There were several audit adjustments to record these transactions in the proper fiscal year which had a material effect on the financial statements.

Recommendation

We recommend the City implement proper procedures to determine that revenue and expenditure transactions are recorded in the proper fiscal year.

Views of responsible officials and planned corrective actions

**Policies and Procedures Documentation** – The City intends to implement policies and procedures to guide staff in recording transactions correctly. This documentation includes guidelines for recognizing revenue and expenses, handling accruals, and performing year-end close processes.

**CITY OF WESTMORLAND**

**Schedule of Findings and Responses  
June 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS, CONTINUED**

**MATERIAL WEAKNESSES, CONTINUED**

**Finding 2020-02**

**Tracking of Accounts Receivable by Fund**

Criteria

Fund accounting requires that financial resources be separated into distinct funds, allowing for individual financial statements for each fund to be presented in separate columns in the combined and combining financial statements.

Condition

During the audit, we requested that accounts receivable detail schedules be broken out by fund. Although the City provided detail schedules that agreed to the total of accounts receivable, they were unable to provide us a breakdown by fund.

Cause

The City uses QuickBooks for its accounting software. Although QuickBooks can be used for fund accounting, it is not specifically designed for it and does have limitations. Since the City bills a customer's water, sewer, and trash services on the same invoice, it is not possible to record the individual services in the correct fund's accounts receivable account during the original invoice entry. During the original invoice entry, QuickBooks records all of the services in the General Fund's accounts receivable account, and at the end of the fiscal year, the City records journal entries to reclassify the transactions to the proper fund.

Effect of condition

Audit adjustments were needed to record account receivable balances in the proper fund which had a significant impact on the financial statements.

Recommendation

We recommend the City transition from using QuickBooks to a fund accounting software system.

Views of responsible officials and planned corrective actions

**Software Implementation** – The City has procured a new software that will align with the City's compliance requirements.

**CITY OF WESTMORLAND**

**Schedule of Findings and Responses  
June 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS, CONTINUED**

**MATERIAL WEAKNESSES, CONTINUED**

**Finding 2020-03**

**Tracking of Accounts Payable by Fund**

Criteria

Fund accounting requires that financial resources be separated into distinct funds, allowing for individual financial statements for each fund to be presented in separate columns in the combined and combining financial statements.

Condition

During the audit, we requested that accounts payable detail schedules be broken out by fund. Although the City provided detail schedules that agreed to the total of accounts payable, they were unable to provide us a breakdown by fund.

Cause

The City uses QuickBooks for its accounting software. Although QuickBooks can be used for fund accounting, it is not specifically designed for it and does have limitations. QuickBooks is unable to print an accounts payable aging report by fund.

Effect of condition

Without the ability to run an accounts payable aging report by fund, it is difficult to determine whether the account payable balances are properly allocated and the individual fund financial statements are accurately stated.

Recommendation

We recommend the City transition from using QuickBooks to a fund accounting software system.

Views of responsible officials and planned corrective actions

**Software Implementation** – The City has procured a new software that will align with the City’s compliance requirements.

**CITY OF WESTMORLAND**

**Schedule of Findings and Responses  
June 30, 2020**

**SECTION III - STATUS OF PRIOR YEAR FINDINGS**

**MATERIAL WEAKNESSES**

**Finding 2019-1 – Financial Reporting Was Not Performed in a Timely Manner**

Status: Implemented

**Finding 2019-2 – Bank Reconciliation Not Completed Properly**

Status: Implemented

**Finding 2019-3 – Lack of Controls and Segregation of Duties**

Status: Implemented

**Finding 2019-4 – General Ledger Entries**

Status: Implemented

**SIGNIFICANT DEFICIENCY**

**Finding 2019-5 – Fixed Assets Study Not Performed**

Status: Implemented