
**CITY OF NEVADA CITY, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

**SMITH AND NEWELL
CERTIFIED PUBLIC ACCOUNTANTS
1425 BUTTE HOUSE ROAD, SUITE B
YUBA CITY, CALIFORNIA 95993**

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**CITY OF NEVADA CITY, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE, 2007**

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INTRODUCTORY SECTION

-
- **List of Officials**

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**CITY OF NEVADA CITY, CALIFORNIA
CITY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2007**

CITY COUNCIL

Steve Cottrell, Mayor

Sally Harris, Vice Mayor

David McKay

Sheila Stein

Barbara Coffman

CITY STAFF

Mark Miller, Administrator

Cathy Wilcox-Barnes, City Clerk

Jim Anderson, City Attorney

George Foster, City Treasurer

Sam Goodspeed, Fire Chief

Lou Trovato, Chief of Police

William J. Falconi, City Engineer

Verne Taylor, Director of Public Works

Catrina Andes, Finance Manager

Cindy Siegfried, City Planner

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FINANCIAL SECTION

-
- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Required Supplementary Information**
 - **Combining Fund Statements and Schedules**

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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Nevada City
Nevada City, California

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 Nevada City, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

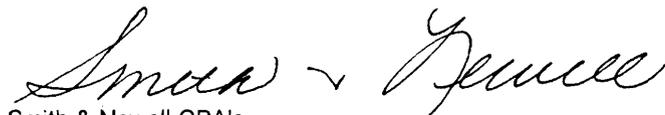
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2007, 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 controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 10 and 38 through 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Smith & Newell CPA's
Yuba City, California
September 26, 2007

Table 2 shows that 17.1% of City's Governmental revenues were derived from fees for City services and grants which is an increase from the previous fiscal year where City services and grants constituted 11.4% of the City's Governmental revenues. The increase in charges for services was primarily associated to the programs of public safety and public ways and facilities, associated to increased mitigation fee collection, and miscellaneous fees collected, with the balance of Governmental revenue coming from general taxes and other sources.

Business-Type Activities:

**Table 3
Business-Type Net Assets at June 30**

	<u>2007</u>	<u>2006</u>
Cash and investments	\$851,053	\$705,788
Other assets	125,646	739,968
Capital assets	13,200,880	10,527,128
Total Assets	\$14,177,579	\$11,972,884
Current liabilities	\$604,479	\$882,825
Long term debt	4,795,839	3,848,352
Total Liabilities	\$5,400,318	\$4,731,177
Net Assets:		
Contributed Capital	\$8,260,658	\$5,634,227
Reserved	148,406	376,259
Unrestricted	368,197	1,231,221
Total Net Assets	\$8,777,261	\$7,241,707

The City's Business-Type enterprises consist of water and sewer services. Total assets increased 18.4%, mostly driven by the substantial increase in the cities capital assets for the Wastewater Treatment Plant upgrade. The liabilities increased in the area of long term debt related to the 2007 Certificate of Participation Wastewater Promissory note payable to the US Department of Agriculture for the Wastewater Treatment Plant upgrade.

Table 4
Changes in Business-Type Net Assets June 30

	2007	2006
Revenues:		
Program revenues:		
Water	\$558,791	\$472,106
Sewer	2,769,265	1,176,545
Other Enterprise Funds	7,007	-
General Revenues	211,368	84,649
Total Revenues	\$3,546,431	\$1,733,300
Expenses:		
Water	\$631,745	\$500,606
Sewer	1,235,253	1,001,133
Other Enterprise Funds	19,522	-
Total Expenses	\$1,886,520	\$1,501,739
Net (Expense) Revenue	1,659,911	231,561
Prior Period Adjustment	(124,357)	-
Change in Net Assets	\$1,535,554	\$231,561

The City's Business-type revenues increased by 104.6%, this consisted of an 18.4% increased revenue collection in Water, and a 135.4% increase in Sewer revenue collection. The increase in Water and Sewer revenues has been driven by improvements to the utility billing process and increased collections, and an increase in Sewer Utility rates implemented on January 1, 2007.

The City continued the construction of the wastewater treatment plant upgrade during the fiscal year 2006/2007. The City received an additional grant and loan from the United States Department of Agriculture, Rural Development to finance the project. This large project was completed at the end of the fiscal year 2006/2007.

Table 5
Changes in Business-Type Net Assets June 30
Net (Expense) Revenues From Services

	2007	2006
Water Services	\$(72,954)	\$(28,500)
Sewer Services	1,534,012	175,412
Other Enterprise Funds	(12,515)	-
Totals	\$1,448,543	\$146,911

The decrease in Net Income for fiscal year 2006/2007 in water services from the prior year relates to an increase in operating expenses of 28.1% mostly relating to an increase in salaries and benefits due to an accounting adjustment to reflect actual labor costs for water, and the necessity to purchase more raw water from NID in the 2006/2007 fiscal year versus the 2005/2006 fiscal year. The large increase in sewer services was primarily due to grant revenue of \$1,602,000, which was used for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

In fiscal year 2003/2004 the City started recording the cost of its infrastructure assets and expensing them over time (depreciation expense). Infrastructure assets include streets, bridges, storm drains and similar assets used by the general population. Other capital assets include police and fire equipment, buildings, park facilities and water and sewer facilities. The cost of infrastructure and other capital assets recorded on the City's financial statements was as shown below:

Table 6
Capital Assets at June 30, 2007
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$1,178,782	\$0	\$1,178,782
Structures & Improvements	8,216,446	11,336,139	19,552,585
Vehicles, machinery and equipment	2,442,493	2,467,653	4,910,146
Construction in Progress	110,046	5,325,254	5,435,300
Less accumulated depreciation	(3,726,027)	(5,928,166)	(9,654,193)
Totals	\$8,221,740	\$13,200,880	\$21,422,620

The City depreciates capital assets over their estimated useful lives. The purpose of depreciation is to match the expense of capital assets to revenue sources over the assets useful life so that the cost is borne by the users of the asset. Note 1 to the financial statements provides additional information on capital assets, depreciation methods and useful lives.

The major increases in capital assets during the year are associated to the construction in progress that relates to the continued design costs for sewer system improvements (Business Activities); see Note 3 for additional detail on changes in capital assets during the year.

Debt Administration

At year-end, the City had \$5,954,182 in long term debt outstanding compared to \$4,988,429 at 06/30/06. The City incurred increased long term debt by \$2,173,721 associated to the waste water treatment plant upgrade project that began 2004/2005 and associated line of credit, and additional liability associated to compensated absences. The City reduced debt during the year by \$1,332,251 by paying off the line of credit associated to the wastewater treatment plant upgrade, and making scheduled principal payments.

**Table 7
Outstanding Debt at June 30, 2007**

	Government Activities	Business Activities	Total
Loans Payable	\$38,321	\$778,230	\$816,551
Bonds Payable	-	357,000	357,000
Certificates of Participation	-	3,785,559	3,785,559
Capital Leases	856,556	19,433	875,989
Compensated absences payable	99,544	19,539	119,083
Totals	\$994,421	\$4,959,761	\$5,954,182

Contacting the City

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City at 317 Broad Street, Nevada City, Ca. 95959, or by phone - 530-265-2496.

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BASIC FINANCIAL STATEMENTS
Government Wide Financial Statements

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CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 1,946,940	\$ 851,053	\$ 2,797,993
Accounts receivable	146,763	302,019	448,782
Interest receivable	25,161	-	25,161
Taxes receivable	303,001	-	303,001
Internal balances	176,471	(176,471)	-
Prepaid costs	28,686	98	28,784
Capital assets:			
Non depreciable assets	1,288,828	5,325,253	6,614,081
Depreciable assets, net of depreciation	6,932,912	7,875,627	14,808,539
Total capital assets	8,221,740	13,200,880	21,422,620
Total Assets	10,848,762	14,177,579	25,026,341
<u>LIABILITIES</u>			
Accounts payable	189,835	338,378	528,213
Salaries and benefits payable	87,945	10,343	98,288
Interest payable	-	91,836	91,836
Unearned revenue	30,203	-	30,203
Long-term liabilities:			
Due within one year	217,245	163,922	381,167
Due in more than one year	777,176	4,795,839	5,573,015
Total Liabilities	1,302,404	5,400,318	6,702,722
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	7,326,863	8,260,658	15,587,521
Restricted for:			
Debt service	-	148,406	148,406
Unrestricted	2,219,495	368,197	2,587,692
Total Net Assets	\$ 9,546,358	\$ 8,777,261	\$ 18,323,619

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

**CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,223,335	43,008	60,343	\$ -
Public protection	1,876,565	218,361	144,093	-
Public ways and facilities	839,415	115,501	72,231	-
Community development	2,283	-	-	-
Recreation and culture	298,119	130,860	-	-
Interest on long-term debt	33,633	-	-	-
Total Governmental Activities	4,273,350	507,730	276,667	-
Business-type activities:				
Water	631,745	558,791	-	-
Sewer	1,235,253	1,167,265	-	1,602,000
Veteran's building	19,522	7,007	-	-
Total Business-type Activities	1,886,520	1,733,063	-	1,602,000
Total	\$ 6,159,870	\$ 2,240,793	\$ 276,667	\$ 1,602,000

General revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Transient occupancy taxes

 Interest and investment earnings

 Miscellaneous

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Beginning, Restated

Net Assets - Ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (1,119,984)	\$ -	\$ (1,119,984)
(1,514,111)	-	(1,514,111)
(651,683)	-	(651,683)
(2,283)	-	(2,283)
(167,259)	-	(167,259)
(33,633)	-	(33,633)
<u>(3,488,953)</u>	<u>-</u>	<u>(3,488,953)</u>
-	(72,954)	(72,954)
-	1,534,012	1,534,012
-	(12,515)	(12,515)
<u>-</u>	<u>1,448,543</u>	<u>1,448,543</u>
<u>(3,488,953)</u>	<u>1,448,543</u>	<u>(2,040,410)</u>
1,501,157	-	1,501,157
1,302,607	-	1,302,607
102,946	-	102,946
344,444	-	344,444
140,557	31,266	171,823
423,837	180,102	603,939
<u>3,815,548</u>	<u>211,368</u>	<u>4,026,916</u>
<u>326,595</u>	<u>1,659,911</u>	<u>1,986,506</u>
9,148,384	7,241,707	16,390,091
<u>71,379</u>	<u>(124,357)</u>	<u>(52,978)</u>
<u>9,219,763</u>	<u>7,117,350</u>	<u>16,337,113</u>
<u>\$ 9,546,358</u>	<u>\$ 8,777,261</u>	<u>\$ 18,323,619</u>

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BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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**CITY OF NEVADA CITY, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 980,091	\$ 966,849	\$ 1,946,940
Accounts receivable	96,473	-	96,473
Interest receivable	25,160	1	25,161
Taxes receivable	236,421	40,007	276,428
Due from other funds	493,062	3,065	496,127
Prepaid costs	28,542	144	28,686
Total Assets	\$ 1,859,749	\$ 1,010,066	\$ 2,869,815
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 129,320	\$ 60,515	\$ 189,835
Salaries and benefits payable	87,945	-	87,945
Unearned revenue	30,203	-	30,203
Due to other funds	66,245	253,411	319,656
Total Liabilities	313,713	313,926	627,639
FUND BALANCES			
Unreserved, reported in:			
General			
Designated	675,642	-	675,642
Undesignated	870,394	-	870,394
Special Revenue			
Designated	-	76,654	76,654
Undesignated	-	619,486	619,486
Total Fund Balances	1,546,036	696,140	2,242,176
Total Liabilities and Fund Balances	\$ 1,859,749	\$ 1,010,066	\$ 2,869,815

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

CITY OF NEVADA CITY, CALIFORNIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total Governmental Fund Balances	\$ 2,242,176
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	8,221,740
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the statement of activities, however, revenues and assets are reported regardless of when financial resources are available.</p>	
Accounts receivable	50,290
Taxes receivable	26,573
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
	<u>(994,421)</u>
Net Assets of Governmental Activities	<u>\$ 9,546,358</u>

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

CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and assessments	\$ 3,200,212	\$ 221,679	\$ 3,421,891
Fines and forfeitures	52,607	-	52,607
Licenses and permits	159,262	-	159,262
Intergovernmental revenues	46,700	122,255	168,955
Use of money and property	98,982	41,575	140,557
Charges for services	155,973	-	155,973
Other revenues	286,190	137,649	423,839
	<u>3,999,926</u>	<u>523,158</u>	<u>4,523,084</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	1,113,843	45,976	1,159,819
Public protection	1,794,029	35,004	1,829,033
Public ways and facilities	667,055	36,084	703,139
Community development	-	2,283	2,283
Recreation and culture	268,997	6,236	275,233
Capital outlay	431,862	187,957	619,819
Debt service			
Principal	114,392	25,311	139,703
Interest and other charges	29,671	3,896	33,567
	<u>4,419,849</u>	<u>342,747</u>	<u>4,762,596</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(419,923)</u>	<u>180,411</u>	<u>(239,512)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	404,384	5,711	410,095
Transfers out	(5,711)	(404,384)	(410,095)
Debt proceeds	21,266	-	21,266
	<u>419,939</u>	<u>(398,673)</u>	<u>21,266</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	<u>16</u>	<u>(218,262)</u>	<u>(218,246)</u>
Fund Balances - Beginning	1,546,020	843,023	2,389,043
Prior Period Adjustment	-	71,379	71,379
Fund Balances - Beginning, Restated	<u>1,546,020</u>	<u>914,402</u>	<u>2,460,422</u>
Fund Balances - Ending	<u>\$ 1,546,036</u>	<u>\$ 696,140</u>	<u>\$ 2,242,176</u>

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

CITY OF NEVADA CITY, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (218,246)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$619,819) exceeded depreciation expense (\$309,006) in the current period.	310,813
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayment exceeded proceeds.	118,371
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in accounts receivable	50,290
Change in taxes receivable	26,573
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	38,794
Change in Net Assets of Governmental Activities	\$ <u>326,595</u>

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

CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ 851,053	\$ -	\$ 851,053
Accounts receivable (net of allowance)	89,042	212,758	219	302,019
Due from other funds	184,476	339,295	-	523,771
Prepaid costs	98	-	-	98
Total Current Assets	273,616	1,403,106	219	1,676,941
Noncurrent Assets:				
Capital Assets (net)	2,169,994	11,030,886	-	13,200,880
Total Noncurrent Assets	2,169,994	11,030,886	-	13,200,880
Total Assets	2,443,610	12,433,992	219	14,877,821
LIABILITIES				
Current Liabilities				
Accounts payable	67,226	271,152	-	338,378
Salaries and benefits payable	5,438	1,559	3,346	10,343
Interest payable	7,936	83,353	547	91,836
Due to other funds	312,755	375,839	11,648	700,242
Compensated absences	11,306	2,211	-	13,517
Bonds payable	68,550	62,422	-	130,972
Capital leases payable	9,716	9,717	-	19,433
Total Current Liabilities	482,927	806,253	15,541	1,304,721
Noncurrent Liabilities				
Compensated absences, net of current portion	6,022	-	-	6,022
Bonds payable, net of current portion	709,679	4,080,138	-	4,789,817
Total Noncurrent Liabilities	715,701	4,080,138	-	4,795,839
Total Liabilities	1,198,628	4,886,391	15,541	6,100,560
NET ASSETS				
Invested in capital assets, net of related debt	1,382,049	6,878,609	-	8,260,658
Restricted for debt service	50,000	98,406	-	148,406
Unrestricted	(187,067)	570,586	(15,322)	368,197
Total Net Assets	\$ 1,244,982	\$ 7,547,601	\$ (15,322)	\$ 8,777,261

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

CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
<u>OPERATING REVENUES</u>				
Charges for services	\$ 558,791	\$ 1,167,265	\$ 7,007	\$ 1,733,063
Other revenues	7,805	90,590	-	98,395
Total Operating Revenues	566,596	1,257,855	7,007	1,831,458
<u>OPERATING EXPENSES</u>				
Salaries and benefits	235,486	81,938	16,136	333,560
Supplies	34,669	63,604	212	98,485
Power	67,539	80,038	1,715	149,292
Repairs and maintenance	8,949	574,371	925	584,245
Professional services	123,759	1,873	228	125,860
Insurance	11,541	14,288	-	25,829
Amortization	-	1,422	-	1,422
Depreciation	104,803	230,909	-	335,712
Other expenses	4,973	90,904	126	96,003
Total Operating Expenses	591,719	1,139,347	19,342	1,750,408
Operating Income (Loss)	(25,123)	118,508	(12,335)	81,050
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Mitigation fees	42,999	38,709	-	81,708
Intergovernmental revenue	-	1,602,000	-	1,602,000
Interest income	11,140	20,126	-	31,266
Interest expense	(40,027)	(95,906)	(180)	(136,113)
Total Non-Operating Revenues (Expenses)	14,112	1,564,929	(180)	1,578,861
Change in Net Assets	(11,011)	1,683,437	(12,515)	1,659,911
Total Net Assets - Beginning	1,255,993	5,988,521	(2,807)	7,241,707
Prior Period Adjustment	-	(124,357)	-	(124,357)
Total Net Assets - Beginning, Restated	1,255,993	5,864,164	(2,807)	7,117,350
Total Net Assets - Ending	\$ 1,244,982	\$ 7,547,601	\$ (15,322)	\$ 8,777,261

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

CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 572,120	\$ 1,250,909	\$ 6,788	\$ 1,829,817
Payments to suppliers	(194,960)	(960,392)	140	(1,155,212)
Payments to employees	(222,839)	(78,168)	(15,589)	(316,596)
Net Cash Provided (Used) by Operating Activities	154,321	212,349	(8,661)	358,009
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Mitigation fee revenue	42,999	37,843	-	80,842
Intergovernmental revenue received	-	1,602,000	-	1,602,000
Operating reimbursements and transfers to(from) other funds	98,340	-	11,648	109,988
Net Cash Provided (Used) by Noncapital Financing Activities	141,339	1,639,843	11,648	1,792,830
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(378,339)	(2,783,809)	-	(3,162,148)
Principal paid on debt	(77,380)	(1,007,865)	-	(1,085,245)
Interest paid on debt	(32,092)	(12,553)	-	(44,645)
Debt proceeds	21,267	2,051,774	-	2,073,041
Net Cash Provided (Used) by Capital and Related Financing Activities	(466,544)	(1,752,453)	-	(2,218,997)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on investments	11,140	20,128	(180)	31,088
Net Cash Provided (Used) by Investing Activities	11,140	20,128	(180)	31,088
Net Increase (Decrease) in Cash and Cash Equivalents	(159,744)	119,867	2,807	(37,070)
Balances - Beginning of the Year	159,744	731,186	(2,807)	888,123
Balances - End of the Year	\$ -	\$ 851,053	\$ -	\$ 851,053
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>				
Operating income (loss)	\$ (25,123)	\$ 118,508	\$ (12,335)	\$ 81,050
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization	-	1,422	-	1,422
Depreciation	104,803	230,909	-	335,712
Decrease (increase) in:				
Accounts receivable	5,524	(6,946)	(219)	(1,641)
Prepaid costs	11,930	15,413	-	27,343
Increase (decrease) in:				
Accounts payable	44,540	(150,727)	3,346	(102,841)
Salaries and benefits payable	5,438	1,559	547	7,544
Compensated absences	7,209	2,211	-	9,420
Net Cash Provided (Used) by Operating Activities	\$ 154,321	\$ 212,349	\$ (8,661)	\$ 358,009

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

CITY OF NEVADA CITY, CALIFORNIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Agency Funds
<u>ASSETS</u>	
Cash and investments	\$ -
Total Assets	-
<u>LIABILITIES</u>	
Agency funds held for others	-
Total Liabilities	-
<u>NET ASSETS</u>	
Held in trust for other purposes	\$ -

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

BASIC FINANCIAL STATEMENTS
Notes to the Financial Statements

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**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was incorporated April 19, 1856 under the provisions of the statutes of the State of California. The City operates under a Council form of government and provides the following services: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, general administrative services, and water and sewer.

The governmental reporting entity consists of the City (Primary Government) and its component units. Component units are legally separate organizations for which the Council is financially accountable or other organizations whose component units nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's Council, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the City's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

There are no component units of the City which meet the criteria for the blended or discrete presentation.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the City, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public protection, public ways and facilities, community development, and recreation and culture services.

The City reports the following major proprietary funds:

- The Water Fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the City.
- The Sewer Fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the City.

The City reports the following additional fund types:

- Agency Funds account for assets held by the City as an agent for various local governments and for individuals.

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

All trust funds employ the same economic resources measurement focus and accrual basis of accounting as do proprietary funds. Agency funds, however, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

For its business-type activities and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

E. Investments

The City pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. treasury, agencies and instrumentalities, corporate bonds, medium term notes, banker's acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". 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 available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

See note 3 for details of interfund transactions, including receivables and payables at year end.

H. Inventory and Prepaid Costs

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are defined by the City as an asset with a cost greater than \$5,000 (\$50,000 for infrastructure) and an estimated useful life of more than two years. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

Government-Wide Statements

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets.

Prior to July 1, 2002, governmental funds infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. Capital Assets (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-30 years
Structures and improvements	30-50 years
Infrastructure	5-99 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

J. Unearned Revenue/Deferred Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue. In addition, loans receivable for which repayment is deferred or for which the balance may be forgiven if certain terms and conditions of the loans are met have also been offset by unearned revenue.

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

K. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of loans payable, accrued compensated absences, tax allocation bonds payable, and capital leases payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

L. Compensated Absences

The City's policy regarding vacation is to permit employees to accumulate a limited amount of earned but unused vacation leave and compensatory time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature, while the proprietary funds report the liability as it is incurred. The City includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

On January 1, 1994, an amendment to the policy regarding sick pay was passed which provides that employees meeting certain criteria would be paid a bonus based on their year end unused sick leave balance.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

M. Net Assets/Fund Balances

The government-wide and business-type activities financial statements utilize a net asset presentation. Net assets are categorized as investments in capital assets (net of related debt), restricted and unrestricted

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

At June 30, 2007, the City had recorded restricted net assets in enterprise funds as follows:

	Water	Sewer
Restricted for:		
Debt Service	\$ 50,000	\$ 98,406
Total Restricted	\$ 50,000	\$ 98,406

In the governmental fund financial statements, reserves and designations segregate portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. At June 30, 2007, the City had no recorded reserves, designations are as follows:

	General	Other Governmental
Designated for:		
Specific Purposes	\$ 675,642	\$ 76,654
Total Designated	\$ 675,642	\$ 76,654

Designations are described as follows:

Designated for Specific Purposes - to reflect the funds the City has set aside to fund subsequent year expenditures and projects not yet approved.

N. Property Tax Levy, Collection and Maximum Rates

The State of California's (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

N. Property Tax Levy, Collection and Maximum Rates (Continued)

The County of Nevada assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due Dates	November 1 (1 st installment) February 1 (2 nd installment)	July 1
Delinquent dates	December 10 (1 st installment) April 10 (2 nd installment)	August 31

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end.

The County of Nevada apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan", as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the city receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

O. Grant Revenues

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met. Cash received prior to incurrence of the related expenditure is recorded as deferred revenue.

P. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business type activities.

In the fund financial statements, expenditures are classified as follows:

- Government Funds - By Character
 - Current (further classified by function)
 - Debt Service
 - Capital Outlay

- Proprietary Funds - By Operating and Non-operating

Q. Estimates

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

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Restatement of Fund Balance/Net Assets

During the current year the City adjusted beginning fund balance/net assets to record reclassification of fund types between governmental and business type and to correct a prior year misstatement of capital assets.

The impact of the restatements on the net assets on the government-wide financial statements as previously reported is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund Balance/Net Assets, June 30, 2006, as previously reported	\$ 9,148,384	\$ 7,241,707
Adjustment associated with:		
Reclassification of funds from Agency to Governmental Activities	99,707	-
Reclassification of funds from Governmental Activities to Business-type	(28,328)	28,328
Correction of capital assets	-	(152,685)
Total Adjustments	<u>71,379</u>	<u>(124,357)</u>
Fund Balance/Net Assets, July 1, 2006, as restated	<u>\$ 9,219,763</u>	<u>\$ 7,117,350</u>

The impact of the restatements on the fund balance on the fund financial statements as previously reported is presented below:

	<u>Non-Major Governmental Funds</u>	<u>Sewer Funds</u>
Fund Balance/Net Assets, June 30, 2006, as previously reported	\$ 843,023	\$ 5,988,521
Adjustment associated with:		
Reclassification of funds from Agency to Governmental Activities	99,707	-
Reclassification of funds from Governmental Activities to Business-type	(28,328)	28,328
Correction of capital assets	-	(152,685)
Total Adjustments	<u>71,379</u>	<u>(124,357)</u>
Fund Balance/Net Assets, July 1, 2006, as restated	<u>\$ 914,402</u>	<u>\$ 5,864,164</u>

B. Deficit Fund Balance/Net Assets

The following non-major governmental funds had deficit fund balances at June 30, 2007:

The TDA Sidewalks special revenue fund had a fund balance deficit of \$36,509, which is expected to be eliminated in the future through increased revenues.

The Reg-Traffic Mit special revenue fund had a fund balance deficit of \$1,275 which is expected to be eliminated in the future through increased revenues.

The Transportation special revenue fund had a fund balance deficit of \$125,805, which is expected to be eliminated in the future through increased revenues.

The Recycle/Landfill special revenue fund had a fund balance deficit of \$7,043, which is expected to be eliminated in the future through increased revenues.

The Train Museum special revenue fund had a fund balance deficit of \$32,695, which is expected to be eliminated in the future through increased revenues.

The OTS-Grant 2006/2007 special revenue fund had a fund balance deficit of \$34,757, which is expected to be eliminated in the future through increased revenues.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. Deficit Fund Balance/Net Assets

The following non-major enterprise funds had deficit net assets at June 30, 2007:

The Veterans Building fund had deficit net assets of \$15,322, which is expected to be eliminated in the future through increased revenues.

NOTE 3: DETAILED NOTES

A. Cash and Investments

The cash and investments of the City at fair value are comprised of the following:

Cash and Deposits:

Cash on hand	\$ 175
Deposits (less outstanding warrants)	<u>864,936</u>
Total Cash and Deposits	<u>\$ 865,111</u>

Investments:

In City's pool	\$ 1,932,882
Total Investments	<u>1,932,882</u>
Total Cash and Investments	<u>\$ 2,797,993</u>

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize a City's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a City's deposits. California law also allows financial institutions to collateralize City deposits by pledging first trust deed mortgage notes having a value of 150 percent of a City's total deposits. The City may waive collateral requirements for deposits which are fully insured up to \$100,000 by Federal Deposit Insurance.

At year end, the carrying amount of the City's cash deposits (including amount in checking and savings accounts) was \$864,936 and the bank balance was \$953,564. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$100,000 was covered by federal depository insurance and \$853,564 was uninsured and collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the City's name).

Investments

As of June 30, 2007, the City had the following investments:

	Maturities			Fair Value	Weighted Average Maturity (Years)
	0-1 year	1-5 years	Over 5 years		
Investments in Investment Pool					
Local Agency Investment Fund (LAIF)	\$ 1,932,882	\$ -	\$ -	\$ 1,932,882	-
Total Investments in investment Pool	<u>\$ 1,932,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,932,882</u>	<u>-</u>

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment pool policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limit investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service.

Custodial Credit Risk

At year end, the City did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The City places no limit on the amount the City may invest in one issuer. The City has invested all cash, other than deposits and imprest cash in the California Local Agency Investment Fund (LAIF).

Investment in State Investment Pool

The City of Nevada City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2007, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$1,932,882, which approximates fair value and is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$65,756,665,933. Of that amount, 96.534% is invested in non-derivative financial products and 3.466% in structured notes and asset-backed securities.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,029,482	\$ 149,300	\$ -	\$ 1,178,782
Construction in progress	-	110,046	-	110,046
Total Capital Assets, Not Being Depreciated	<u>1,029,482</u>	<u>259,346</u>	<u>-</u>	<u>1,288,828</u>
Capital Assets, Being Depreciated:				
Land improvements	4,296,026	339,667	(149,300)	4,486,393
Buildings and improvements	3,730,053	-	-	3,730,053
Equipment	1,645,664	160,462	-	1,806,126
Vehicles	626,723	9,644	-	636,367
Total Capital Assets, Being Depreciated	<u>10,298,466</u>	<u>509,773</u>	<u>(149,300)</u>	<u>10,658,939</u>
Less Accumulated Depreciation For:				
Land improvements	(1,242,297)	(98,026)	-	(1,340,323)
Buildings and improvements	(618,345)	(92,768)	-	(711,113)
Equipment	(1,356,837)	(71,784)	13,586	(1,445,035)
Vehicles	(199,542)	(60,014)	-	(229,556)
Total Accumulated Depreciation	<u>(3,417,021)</u>	<u>(322,592)</u>	<u>13,586</u>	<u>(3,726,027)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,881,445</u>	<u>187,181</u>	<u>(135,714)</u>	<u>6,932,912</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,910,927</u>	<u>\$ 446,527</u>	<u>(\$ 135,714)</u>	<u>\$ 8,221,740</u>

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	<u>Balance July 1, 2006</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2007</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Construction in progress	\$ -	\$ 5,477,939	(\$ 152,685)	\$ 5,325,254
Total Capital Assets, Not Being Depreciated	-	5,477,939	(152,685)	5,325,254
Capital Assets, Being Depreciated:				
Structures and improvements	13,724,042	388,481	(2,776,384)	11,336,139
Equipment	2,395,540	52,824	-	2,448,364
Vehicles	-	19,289	-	19,289
Total Capital Assets, Being Depreciated	<u>16,119,582</u>	<u>460,594</u>	<u>(2,776,384)</u>	<u>13,803,792</u>
Less Accumulated Depreciation For:				
Structures and improvements	(4,667,923)	(274,056)	(18,135)	(4,960,114)
Equipment	(924,531)	(59,728)	18,135	(966,124)
Vehicles	(-)	(1,928)	-	(1,928)
Total Accumulated Depreciation	<u>5,592,454</u>	<u>(335,712)</u>	<u>-</u>	<u>(5,928,166)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,527,128</u>	<u>124,882</u>	<u>(2,776,384)</u>	<u>7,875,626</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,527,128</u>	<u>\$ 5,602,821</u>	<u>(\$ 2,929,069)</u>	<u>\$ 13,200,880</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 69,486
Public safety	88,075
Public ways and facilities	141,553
Recreation and culture	23,478
Total Depreciation Expense - Governmental Functions	<u>\$ 322,592</u>

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 104,803
Sewer	230,909
Total Depreciation Expense - Business-Type Functions	<u>\$ 335,712</u>

Construction in Progress

Construction in progress for governmental activities relates primarily to work performed on street and sidewalk reconstruction.

Construction in progress for business-type activities relates primarily to water and sewer plant upgrades.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: DETAILED NOTES (CONTINUED)

D. Long-Term Liabilities

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Loans	\$ 319,450	(\$ 272,138)	\$ 8,991	\$ 38,321	\$ 9,403
Capital Leases (Note 3E)	693,798	293,470	130,712	856,556	134,452
Compensated Absences (Note 1L)	138,340	63,271	102,067	99,544	73,390
Total Governmental Activities					
- Long-Term Liabilities	<u>\$ 1,151,588</u>	<u>\$ 84,603</u>	<u>\$ 241,770</u>	<u>\$ 994,421</u>	<u>\$ 217,245</u>
Business-Type Activities					
Loans	\$ 844,060	\$ -	\$ 65,830	\$ 778,230	\$ 68,550
Bonds	357,000	-	-	357,000	18,000
Certificates of Participation	2,774,123	1,034,192	-	3,808,315	43,000
Less: Issue Costs	(24,178)	1,422	-	(22,756)	1,422
Certificates of Participation (Net)	<u>2,749,945</u>	<u>1,035,614</u>	<u>-</u>	<u>3,785,559</u>	<u>44,422</u>
Capital Leases	-	42,533	23,100	19,433	19,433
Line of Credit	-	996,315	996,315	-	-
Compensated Absences	10,119	14,656	5,236	19,539	13,517
Total Business-Type Activities					
- Long-Term Liabilities	<u>\$ 3,961,124</u>	<u>\$ 2,089,118</u>	<u>\$ 1,090,481</u>	<u>\$ 4,959,761</u>	<u>\$ 163,922</u>

At June 30, 2007 Loans payable consisted of the following:

All Points Capital Corp. Water Plant Bond Refinance dated September 1, 2005, payable in annual installments of \$49,843 to \$67,877, with an interest rate of 5% and maturity of October 1, 2016.

Citizens Bank Dump Truck Loan, dated April 16, 2006, payable in annual installments of \$911, with an interest rate of 4.49% and a maturity of April 25, 2011.

Total Loans Payable

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	\$ -	\$ 778,230
	<u>38,321</u>	<u>-</u>
	<u>\$ 38,321</u>	<u>\$ 778,230</u>

At June 30, 2007, Bonds payable consisted of the following:

1982 Series A Sewer Bonds, dated August 26, 1982, payable in annual installments of \$7,668 to \$9,300, with an interest rate of 5% and maturity of July 15, 2022.

1982 Series B Sewer Bonds dated February 23, 1983, payable in annual installments of \$25,992 with an interest rate of 5% and maturity of July 15, 2022.

Total Bonds Payable

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
	\$ -	\$ 95,000
	<u>-</u>	<u>262,000</u>
	<u>\$ -</u>	<u>\$ 357,000</u>

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: DETAILED NOTES (CONTINUED)

D. Long-Term Liabilities (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
At June 30, 2007, Certificates of Participation consisted of the following:		
1993 FMHA Certificate of Participation, dated September 1, 1991, payable in annual installments of \$10,000 to \$50,000, with an interest rate of 5.00% and a maturity of June 30, 2027.	\$ -	\$ 640,000
Series 2005 Wastewater Certificates of Participation, dated October 1, 2005, payable in annual installments of \$16,000 to 48,000, with an interest rate of 4.25%, and a maturity of July 15, 2005.	-	2,172,000
Series 2007 Wastewater Certificates of Participation, dated March 1, 2007, payable in annual installments of \$19,000 to \$90,000, with an interest rate of 4.125%, and a maturity of July 15, 2046.	-	996,315
Total Certificates of Participation	\$ -	\$ 3,808,315

The annual aggregate maturities for the years subsequent to June 30, 2007, are as follows:

<u>Bonds</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ -	\$ 18,000	\$ 17,500	\$ 35,500
2009	-	-	19,000	16,575	35,575
2010	-	-	19,000	15,625	34,625
2011	-	-	21,000	14,650	35,650
2012	-	-	22,000	13,575	35,575
2013-2017	-	-	128,000	49,850	177,850
2018-2022	-	-	122,000	15,475	137,475
2023-2027	-	-	8,000	400	8,400
Total	\$ -	\$ -	\$ 357,000	\$ 143,650	\$ 500,650

<u>Loans</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 9,403	\$ 1,528	\$ 68,550	\$ 31,136	\$ 110,617
2009	9,834	1,097	71,383	28,303	110,617
2010	10,284	1,288	74,332	25,354	111,258
2011	8,800	179	77,403	22,283	108,665
2012	-	-	80,602	19,085	99,687
2013-2017	-	-	405,960	42,629	448,589
Total	\$ 38,321	\$ 4,092	\$ 778,230	\$ 168,790	\$ 989,433

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: DETAILED NOTES (CONTINUED)

D. Long-Term Liabilities (Continued)

Certificates of Participation

Year Ended June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ -	\$ -	\$ 43,000	\$ 156,396	\$ 199,396
2009	-	-	63,000	162,029	225,029
2010	-	-	65,000	159,183	224,183
2011	-	-	67,000	156,254	223,254
2012	-	-	74,000	153,115	227,115
2013-2017	-	-	412,000	713,114	1,125,114
2018-2022	-	-	513,000	610,386	1,123,386
2023-2027	-	-	640,000	481,722	1,121,722
2028-2032	-	-	510,000	355,895	865,895
2033-2037	-	-	577,315	238,104	815,419
2038-2042	-	-	430,000	135,193	565,193
2043-2047	-	-	414,000	36,125	450,125
Total	\$ -	\$ -	\$ 3,808,315	\$ 3,357,516	\$ 7,165,831

E. Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

Capital Leases

The City has entered into certain capital lease agreements under which the related buildings will become the property of the City when all terms of the lease agreements are met.

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2007
Governmental fund activities	4.39-4.55	\$ 856,556
Business-type activities		19,433
Total Capital Lease Obligations		\$ 875,989

Buildings and related accumulated depreciation under capital lease are as follows:

	Governmental Activities	Business-Type Activities
Buildings	\$ 2,237,458	\$ 42,532
Less: accumulated depreciation	(340,404)	(6,068)
Net Value	\$ 1,897,054	\$ 36,464

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: DETAILED NOTES (CONTINUED)

E. Leases (Continued)

As of June 30, 2007, capital lease annual amortization was as follows:

Year Ending June 30:	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
2008	\$ 19,433	\$ 171,474
2009	-	161,758
2010	-	161,758
2011	-	161,758
2012	-	161,758
2013-2017	-	174,199
Total Requirements	19,433	992,705
Less Interest	-	(136,149)
Present Value of Remaining Payments	<u>\$ 19,433</u>	<u>\$ 856,556</u>

F. Interfund Transactions

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to other funds. The following are due to and due from balances at June 30, 2007:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 493,062	\$ 66,245
Nonmajor Governmental Funds	3,065	253,411
Water	184,476	312,755
Sewer	339,295	375,839
Non-major Enterprise Fund	-	11,648
Total	<u>\$ 1,019,898</u>	<u>\$ 1,019,898</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2007:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 404,384	\$ 5,711
Nonmajor Governmental Funds	5,711	404,384
Total	<u>\$ 806,356</u>	<u>\$ 410,095</u>

NOTE 4: EMPLOYEES' RETIREMENT PLAN AND POST EMPLOYMENT BENEFITS

A. Defined Benefit Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 P Street, Sacramento, CA 95814.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 4: EMPLOYEES' RETIREMENT PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

A. Defined Benefit Pension Plan (Continued)

Funding Policy

Active plan members in PERS have their 7 percent (9 percent for safety employees) of their annual covered salary paid by the City. The City also contributes the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2006/2007 was 10.327 percent for miscellaneous employees and 29.004 percent for safety employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2006/2007, the City's annual pension cost of \$222,639 for PERS was equal to the City's actual contributions. The required contributions for fiscal year 2006/2007 were determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent depending on age, service, and type of employment, and 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a two to five year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed-20-year period.

Three Year Trend Information for PERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ -	100%	-
June 30, 2006	-	100%	-
June 30, 2007	222,639	100%	-

NOTE 5: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, vehicle liability, and errors and omissions purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program for 37 member cities. The City pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**CITY OF NEVADA CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 6: OTHER INFORMATION

A. Construction Commitments

The City has signed agreements to construct sewer and water improvements subsequent to June 30, 2007. The balance owed on the commitments at June 30, 2007, was \$482,211.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

C. Joint Agencies

Public Agency Risk Sharing Authority of California (PARSAC) is a joint powers agent organized for the purpose of pooled joint-protection coverage to member entities. PARSAC operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. PARSAC is under the control and direction of a 9 member executive committee consisting of representatives of the 37 member cities. Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805.

Nevada County Service Authority of the Abatement of Abandoned Vehicle was created pursuant to California Vehicle Code Section 22710 in order for the County of Nevada and City of Grass Valley to join together and establish a service authority for the abatement of abandoned vehicles. The County or City abatement ordinances that are realized by the County or City less the respective administrative costs are deposited in the Authority trust account. Complete financial activity of this trust account can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617.

The City is a participant in Western Nevada Public Transportation Authority, the purpose of which is to provide transportation services to the citizens of Nevada County including Grass Valley. Complete financial activity can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617.

The City is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services from 1995 to the year 2003. The City participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NEVADA CITY, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 2,891,414	\$ 2,891,414	\$ 3,200,212	\$ 308,798
Fines and forfeitures	30,000	30,000	52,607	22,607
Licenses and permits	160,000	160,000	159,262	(738)
Intergovernmental revenues	310,000	310,000	451,084	141,084
Use of money and property	75,000	75,000	98,982	23,982
Charges for services	115,000	115,000	155,973	40,973
Other revenues	71,000	71,000	286,190	215,190
Total Revenues	3,652,414	3,652,414	4,404,310	751,896
<u>EXPENDITURES</u>				
Current:				
General government	711,144	711,144	1,113,843	(402,699)
Public protection	1,817,300	1,817,300	1,794,029	23,271
Public ways and facilities	583,200	583,200	667,055	(83,855)
Recreation and culture	288,750	288,750	268,997	19,753
Capital outlay	73,000	73,000	431,862	(358,862)
Debt service				
Principal	191,498	191,498	114,392	77,106
Interest and other charges	-	-	29,671	(29,671)
Total Expenditures	3,664,892	3,664,892	4,419,849	(754,957)
Excess of Revenues Over (Under) Expenditures	(12,478)	(12,478)	(15,539)	(3,061)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	-	(5,711)	(5,711)
Debt proceeds	-	-	21,266	21,266
Total Other Financing Sources (Uses)	-	-	15,555	15,555
Net Change in Fund Balance	(12,478)	(12,478)	16	12,494
Fund Balance - Beginning	1,546,020	1,546,020	1,546,020	-
Fund Balance - Ending	\$ 1,533,542	\$ 1,533,542	\$ 1,546,036	\$ 12,494

Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis

Transfers in of \$401,384 are budgeted as intergovernmental revenue on the budgetary basis.

See accompanying note to the required supplementary information.

CITY OF NEVADA CITY, CALIFORNIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

A. BUDGETARY BASIS OF ACCOUNTING

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Administrator may authorize transfers from one object or purpose to another within the same department.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all governmental funds except for debt service funds, the expenditures of which are controlled by provisions of debt agreements. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The General Fund had expenditures in excess of budget of \$754,957 for the year ended June 30, 2007.

B. PERS SCHEDULE OF FINDING PROGRESS

As of June 30, 2004, retirement plans with less than 100 active members were required to participate in a risk pool. Therefore, the schedule of funding progress for the City for the June 30, 2003 valuation date and thereafter is for the entire pool, not just the City employees.

Miscellaneous Plan:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2003	\$ 2,596,966,545	\$2,372,879,034	\$ 224,087,511	91.4%	\$ 725,020,458	30.9%
June 30, 2004	434,267,445	379,807,656	54,459,853	87.5%	97,227,479	56.0%
June 30, 2005	579,276,103	500,388,523	78,887,580	86.4%	129,379,492	61.0%

Safety Police Plan:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2003	\$ 4,270,573,982	\$3,577,742,166	\$ 692,831,816	83.8%	\$ 476,089,674	145.5%
June 30, 2004	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%
June 30, 2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	664,147,796	161.4%

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007**

	Special Revenue Funds	Totals
<u>ASSETS</u>		
Cash and investments	\$ 966,849	\$ 966,849
Interest receivable	1	1
Taxes receivable	40,007	40,007
Due from other funds	3,065	3,065
Prepaid costs	144	144
Total Assets	\$ 1,010,066	\$ 1,010,066
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	\$ 60,515	\$ 60,515
Due to other funds	253,411	253,411
Total Liabilities	313,926	313,926
FUND BALANCES		
Unreserved:		
Designated	76,654	76,654
Undesignated	619,486	619,486
Total Fund Balances	696,140	696,140
Total Liabilities and Fund Balances	\$ 1,010,066	\$ 1,010,066

CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Totals
<u>REVENUES</u>		
Taxes and assessments	\$ 221,679	\$ 221,679
Intergovernmental revenues	122,255	122,255
Use of money and property	41,575	41,575
Other revenues	137,649	137,649
	523,158	523,158
<u>EXPENDITURES</u>		
Current:		
General government	45,976	45,976
Public protection	35,004	35,004
Public ways and facilities	36,084	36,084
Community development	2,283	2,283
Recreation and culture	6,236	6,236
Capital outlay	187,957	187,957
Debt service:		
Principal	25,311	25,311
Interest	3,896	3,896
	342,747	342,747
Total Expenditures	342,747	342,747
Excess of Revenues Over (Under) Expenditures	180,411	180,411
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	5,711	5,711
Transfers out	(404,384)	(404,384)
	(398,673)	(398,673)
Total Other Financing Sources (Uses)	(398,673)	(398,673)
Net Change in Fund Balances	(218,262)	(218,262)
Fund Balances - Beginning	843,023	843,023
Prior Period Adjustment	71,379	71,379
	914,402	914,402
Fund Balances - Beginning, Restated	914,402	914,402
Fund Balances - Ending	\$ 696,140	\$ 696,140

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

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CITY OF NEVADA CITY, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Gas Tax Streets	TDA Funds	TDA Sidewalks	Prop 116
<u>ASSETS</u>				
Cash and investments	\$ 373,724	\$ 23,692	\$ -	\$ 5
Interest receivable	-	-	1	-
Taxes receivable	5,845	-	-	-
Due from other funds	-	-	-	-
Prepaid costs	-	-	-	-
Total Assets	\$ 379,569	\$ 23,692	\$ 1	\$ 5
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	36,510	-
Total Liabilities	-	-	36,510	-
FUND BALANCES				
Unreserved				
Designated	61,856	-	-	-
Undesignated	317,713	23,692	(36,509)	5
Total Fund Balances	379,569	23,692	(36,509)	5
Total Liabilities and Fund Balances	\$ 379,569	\$ 23,692	\$ 1	\$ 5

<u>STIP</u>	<u>Traffic Relief</u>	<u>Reg. Traffic Mit</u>	<u>Indian Trails</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>Fire - Old Tx Cap</u>	<u>Transportation</u>
\$ 49,159	\$ 54,920	\$ 2,505	\$ 50,157	\$ 77,725	\$ 2,126	\$ 35,570	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	1,590	3,172	-	-
-	-	-	-	3,065	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 49,159</u>	<u>\$ 54,920</u>	<u>\$ 2,505</u>	<u>\$ 50,157</u>	<u>\$ 82,380</u>	<u>\$ 5,298</u>	<u>\$ 35,570</u>	<u>\$ -</u>
\$ 5,288	\$ -	\$ 3,780	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	48,472	3,065	-	125,805
<u>5,288</u>	<u>-</u>	<u>3,780</u>	<u>-</u>	<u>48,472</u>	<u>3,065</u>	<u>-</u>	<u>125,805</u>
-	-	-	-	-	-	-	-
43,871	54,920	(1,275)	50,157	33,908	2,233	35,570	(125,805)
<u>43,871</u>	<u>54,920</u>	<u>(1,275)</u>	<u>50,157</u>	<u>33,908</u>	<u>2,233</u>	<u>35,570</u>	<u>(125,805)</u>
<u>\$ 49,159</u>	<u>\$ 54,920</u>	<u>\$ 2,505</u>	<u>\$ 50,157</u>	<u>\$ 82,380</u>	<u>\$ 5,298</u>	<u>\$ 35,570</u>	<u>\$ -</u>

**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007**

	<u>NC Recreation</u>	<u>TEA Funds</u>	<u>Per Capita</u>	<u>CDBG Tourism</u>
ASSETS				
Cash and investments	\$ 527	\$ 103,997	\$ 820	\$ 1
Interest receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid costs	-	-	-	-
Total Assets	<u>\$ 527</u>	<u>\$ 103,997</u>	<u>\$ 820</u>	<u>\$ 1</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved:				
Designated	-	-	-	-
Undesignated	527	103,997	820	1
Total Fund Balances	<u>527</u>	<u>103,997</u>	<u>820</u>	<u>1</u>
Total Liabilities and Fund Balances	<u>\$ 527</u>	<u>\$ 103,997</u>	<u>\$ 820</u>	<u>\$ 1</u>

<u>Clean Air/Parks</u>	<u>Comcast Tech</u>	<u>Recycle/ Landfill</u>	<u>Train Museum</u>	<u>Bicentennial</u>	<u>Measure "S"</u>	<u>Becker</u>	<u>Wilson Bequest</u>
\$ 45,572	\$ 30,094	\$ -	\$ -	\$ 1,325	\$ 8,021	\$ 16,971	\$ 27,069
-	-	-	-	-	-	-	-
-	-	-	-	-	29,400	-	-
-	-	-	144	-	-	-	-
<u>\$ 45,572</u>	<u>\$ 30,094</u>	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 1,325</u>	<u>\$ 37,421</u>	<u>\$ 16,971</u>	<u>\$ 27,069</u>
\$ -	\$ -	\$ -	\$ 323	\$ -	\$ 16,367	\$ -	\$ -
-	-	7,043	32,516	-	-	-	-
-	-	7,043	32,839	-	16,367	-	-
-	-	-	-	-	-	14,798	-
45,572	30,094	(7,043)	(32,695)	1,325	21,054	2,173	27,069
45,572	30,094	(7,043)	(32,695)	1,325	21,054	16,971	27,069
<u>\$ 45,572</u>	<u>\$ 30,094</u>	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 1,325</u>	<u>\$ 37,421</u>	<u>\$ 16,971</u>	<u>\$ 27,069</u>

**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007**

	<u>Open Sp/Trails</u>	<u>Fire FEMA 06/07</u>	<u>Deer Creek Nat.</u>	<u>USPEA Grant</u>
<u>ASSETS</u>				
Cash and investments	\$ 59,225	\$ -	\$ -	\$ -
Interest receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid costs	-	-	-	-
Total Assets	<u>\$ 59,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved:				
Designated	-	-	-	-
Undesignated	59,225	-	-	-
Total Fund Balances	<u>59,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 59,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Park & Rec Grant</u>	<u>OTS-Grant 2006/2007</u>	<u>Total</u>
\$ 3,644	\$ -	\$ 966,849
-	-	1
-	-	40,007
-	-	3,065
-	-	144
<u>\$ 3,644</u>	<u>\$ -</u>	<u>\$ 1,010,066</u>
\$ -	\$ 34,757	\$ 60,515
-	-	253,411
<u>-</u>	<u>34,757</u>	<u>313,926</u>
-	-	76,654
<u>3,644</u>	<u>(34,757)</u>	<u>619,486</u>
<u>3,644</u>	<u>(34,757)</u>	<u>696,140</u>
<u>\$ 3,644</u>	<u>\$ -</u>	<u>\$ 1,010,066</u>

CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Gas Tax Streets</u>	<u>TDA Funds</u>	<u>TDA Sidewalks</u>	<u>Prop 116</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 72,231	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Use of money and property	12,327	1,629	-	-
Other revenues	-	23,421	-	-
Total Revenues	84,558	25,050	-	-
<u>EXPENDITURES</u>				
Current:				
General government	-	-	119	-
Public protection	-	-	-	-
Public ways and facilities	-	28,837	2,073	-
Community development	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	36,540	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	28,837	38,732	-
Excess of Revenues Over (Under) Expenditures	84,558	(3,787)	(38,732)	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	84,558	(3,787)	(38,732)	-
Fund Balances - Beginning	295,011	27,479	2,223	5
Prior Period Adjustment	-	-	-	-
Fund Balances - Beginning, Restated	295,011	27,479	2,223	5
Fund Balances - Ending	\$ 379,569	\$ 23,692	\$ (36,509)	\$ 5

<u>STIP</u>	<u>Traffic Relief</u>	<u>Reg. Traffic Mit</u>	<u>Indian Trails</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>Fire - Old Tx Cap</u>	<u>Transportation</u>
\$ -	\$ -	\$ -	\$ -	\$ 30,271	\$ 60,377	\$ -	\$ -
2,082	1,992	1,314	157	6,600	5,679	940	-
-	26,434	-	50,000	-	-	-	-
<u>2,082</u>	<u>28,426</u>	<u>1,314</u>	<u>50,157</u>	<u>36,871</u>	<u>66,056</u>	<u>940</u>	<u>-</u>
-	-	1,890	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,283
15,023	-	-	-	9,200	-	-	-
-	-	-	-	25,311	-	-	-
-	-	-	-	3,896	-	-	-
<u>15,023</u>	<u>-</u>	<u>1,890</u>	<u>-</u>	<u>38,407</u>	<u>-</u>	<u>-</u>	<u>2,283</u>
<u>(12,941)</u>	<u>28,426</u>	<u>(576)</u>	<u>50,157</u>	<u>(1,536)</u>	<u>66,056</u>	<u>940</u>	<u>(2,283)</u>
-	-	-	-	-	-	-	-
-	-	(38,245)	-	(93,418)	(257,357)	-	-
-	-	(38,245)	-	(93,418)	(257,357)	-	-
<u>(12,941)</u>	<u>28,426</u>	<u>(38,821)</u>	<u>50,157</u>	<u>(94,954)</u>	<u>(191,301)</u>	<u>940</u>	<u>(2,283)</u>
56,812	26,494	37,546	-	128,862	193,534	34,630	(123,522)
-	-	-	-	-	-	-	-
<u>56,812</u>	<u>26,494</u>	<u>37,546</u>	<u>-</u>	<u>128,862</u>	<u>193,534</u>	<u>34,630</u>	<u>(123,522)</u>
<u>\$ 43,871</u>	<u>\$ 54,920</u>	<u>\$ (1,275)</u>	<u>\$ 50,157</u>	<u>\$ 33,908</u>	<u>\$ 2,233</u>	<u>\$ 35,570</u>	<u>\$ (125,805)</u>

CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	NC Recreation	TEA Funds	Per Capita	CDBG Tourism
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Use of money and property	527	3,754	29	-
Other revenues	-	-	-	-
Total Revenues	527	3,754	29	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	-	-	-	-
Community development	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	527	3,754	29	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(15,364)	-	-	-
Total Other Financing Sources (Uses)	(15,364)	-	-	-
Net Change in Fund Balances	(14,837)	3,754	29	-
Fund Balances - Beginning	15,364	100,243	791	1
Prior Period Adjustment	-	-	-	-
Fund Balances - Beginning, Restated	15,364	100,243	791	1
Fund Balances - Ending	\$ 527	\$ 103,997	\$ 820	\$ 1

Clean Air/Parks	Comcast Tech	Recycle/ Landfill	Train Museum	Bicentennial	Measure "S"	Becker	Wilson Bequest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,800	\$ -	\$ -
-	-	-	-	-	-	-	-
827	94	-	-	-	-	447	975
-	30,000	-	-	7,794	-	-	-
827	30,094	-	-	7,794	58,800	447	975
-	-	-	-	6,469	9,046	-	-
-	-	5,174	-	-	-	-	-
-	-	-	6,236	-	-	-	-
-	-	-	-	-	28,700	-	-
-	-	-	-	-	-	-	-
-	-	5,174	6,236	6,469	37,746	-	-
827	30,094	(5,174)	(6,236)	1,325	21,054	447	975
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
827	30,094	(5,174)	(6,236)	1,325	21,054	447	975
44,745	-	-	-	-	-	-	-
-	-	(1,869)	(26,459)	-	-	16,524	26,094
44,745	-	(1,869)	(26,459)	-	-	16,524	26,094
\$ 45,572	\$ 30,094	\$ (7,043)	\$ (32,695)	\$ 1,325	\$ 21,054	\$ 16,971	\$ 27,069

CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Open Sp/Trails	Fire FEMA 06/07	Deer Creek Nat.	USPEA Grant
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	93,803	-	28,452
Use of money and property	2,136	-	-	-
Other revenues	-	-	-	-
Total Revenues	2,136	93,803	-	28,452
EXPENDITURES				
Current:				
General government	-	-	-	28,452
Public protection	-	35,004	-	-
Public ways and facilities	-	-	-	-
Community development	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	63,737	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	98,741	-	28,452
Excess of Revenues Over (Under) Expenditures	2,136	(4,938)	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,938	773	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	4,938	773	-
Net Change in Fund Balances	2,136	-	773	-
Fund Balances - Beginning	-	-	(773)	-
Prior Period Adjustment	57,089	-	-	-
Fund Balances - Beginning, Restated	57,089	-	(773)	-
Fund Balances - Ending	\$ 59,225	\$ -	\$ -	\$ -

<u>Park & Rec Grnt</u>	<u>OTS-Grant 2006/2007</u>	<u>Total</u>
\$ -	\$ -	\$ 221,679
-	-	122,255
66	-	41,575
-	-	137,649
<u>66</u>	<u>-</u>	<u>523,158</u>
-	-	45,976
-	-	35,004
-	-	36,084
-	-	2,283
-	-	6,236
-	34,757	187,957
-	-	25,311
-	-	3,896
<u>-</u>	<u>34,757</u>	<u>342,747</u>
<u>66</u>	<u>(34,757)</u>	<u>180,411</u>
-	-	5,711
-	-	(404,384)
<u>-</u>	<u>-</u>	<u>(398,673)</u>
<u>66</u>	<u>(34,757)</u>	<u>(218,262)</u>
3,578	-	843,023
-	-	71,379
<u>3,578</u>	<u>-</u>	<u>914,402</u>
<u>\$ 3,644</u>	<u>\$ (34,757)</u>	<u>\$ 696,140</u>

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NON-MAJOR PROPRIETARY FUNDS
Enterprise Funds

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**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2007**

	Veteran's Building	Totals
<u>ASSETS</u>		
Current Assets		
Accounts receivable (net of allowance)	\$ 219	\$ 219
Total Assets	219	219
<u>LIABILITIES</u>		
Current Liabilities		
Salaries and benefits payable	3,346	3,346
Interest payable	547	547
Due to other funds	11,648	11,648
Total Liabilities	15,541	15,541
<u>NET ASSETS</u>		
Unrestricted	(15,322)	(15,322)
Total Net Assets	\$ (15,322)	\$ (15,322)

CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Veteran's Building</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 7,007	\$ 7,007
Total Operating Revenues	<u>7,007</u>	<u>7,007</u>
<u>OPERATING EXPENSES</u>		
Salaries and benefits	16,136	16,136
Supplies	212	212
Power	1,715	1,715
Repairs and maintenance	925	925
Professional Services	228	228
Other expenses	126	126
Total Operating Expenses	<u>19,342</u>	<u>19,342</u>
Operating Income (Loss)	<u>(12,335)</u>	<u>(12,335)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest expense	<u>(180)</u>	<u>(180)</u>
Total Non-Operating Revenues (Expenses)	<u>(180)</u>	<u>(180)</u>
Change in Net Assets	(12,515)	(12,515)
Total Net Assets - Beginning	<u>(2,807)</u>	<u>(2,807)</u>
Total Net Assets - Ending	<u>\$ (15,322)</u>	<u>\$ (15,322)</u>

**CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Veteran's Building</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 6,788	\$ 6,788
Payments to suppliers	140	140
Payments to employees	(15,589)	(15,589)
	<u>(8,661)</u>	<u>(8,661)</u>
Net Cash Provided (Used) by Operating Activities		
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating reimbursements and transfers to(from) other funds	11,648	11,648
	<u>11,648</u>	<u>11,648</u>
Net Cash Provided (Used) by Noncapital Financing Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments	(180)	(180)
	<u>(180)</u>	<u>(180)</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	2,807	2,807
Balances - Beginning of the Year	(2,807)	(2,807)
Balances - End of the Year	<u>\$ -</u>	<u>\$ -</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (12,335)	\$ (12,335)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(219)	(219)
Increase (decrease) in:		
Accounts payable	3,346	3,346
Salaries and benefits payable	547	547
	<u>(8,661)</u>	<u>(8,661)</u>
Net Cash Provided (Used) by Operating Activities		

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FIDUCIARY FUNDS
Agency Funds

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CITY OF NEVADA CITY, CALIFORNIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2007

	<u>B.I.D</u>	<u>Becker</u>	<u>Wilson Bequest</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Due to agency recipient	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Contributions</u>	<u>Withdrawals</u>	<u>Balance</u> <u>June 30, 2007</u>
B.I.D				
<u>ASSETS</u>				
Cash and investments	\$ 22	\$ -	\$ 22	\$ -
Total Assets	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Agency Obligations	\$ 22	\$ -	\$ 22	\$ -
Total Liabilities	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>
BECKER				
<u>ASSETS</u>				
Cash and investments	\$ 16,524	\$ -	\$ 16,524	\$ -
Total Assets	<u>\$ 16,524</u>	<u>\$ -</u>	<u>\$ 16,524</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Agency obligations	\$ 16,524	\$ -	\$ 16,524	\$ -
Total Liabilities	<u>\$ 16,524</u>	<u>\$ -</u>	<u>\$ 16,524</u>	<u>\$ -</u>
WILSON BEQUEST				
<u>ASSETS</u>				
Cash and investments	\$ 26,094	\$ -	\$ 26,094	\$ -
Total Assets	<u>\$ 26,094</u>	<u>\$ -</u>	<u>\$ 26,094</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Agency obligations	\$ 26,094	\$ -	\$ 26,094	\$ -
Total Liabilities	<u>\$ 26,094</u>	<u>\$ -</u>	<u>\$ 26,094</u>	<u>\$ -</u>
SP/OPEN TRAILS				
<u>ASSETS</u>				
Cash and investments	\$ 57,089	\$ -	\$ 57,089	\$ -
Total Assets	<u>\$ 57,089</u>	<u>\$ -</u>	<u>\$ 57,089</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Agency Obligations	\$ 57,089	\$ -	\$ 57,089	\$ -
Total Liabilities	<u>\$ 57,089</u>	<u>\$ -</u>	<u>\$ 57,089</u>	<u>\$ -</u>

**CITY OF NEVADA CITY, CALIFORNIA
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Contributions	Withdrawals	Balance June 30, 2007
TOTAL AGENCY FUNDS				
<u>ASSETS</u>				
Cash and investments	\$ 99,729	\$ -	\$ 99,729	\$ -
Total Assets	\$ 99,729	\$ -	\$ 99,729	\$ -
<u>LIABILITIES</u>				
Agency Obligations	\$ 99,729	\$ -	\$ 99,729	\$ -
Total Liabilities	\$ 99,729	\$ -	\$ 99,729	\$ -

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