

**CITY OF NEVADA CITY,  
CALIFORNIA**



**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORTS  
FOR THE YEAR ENDED  
JUNE 30, 2008**

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**CITY OF NEVADA CITY, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE, 2008**

**TABLE OF CONTENTS**

	Page
<b>INTRODUCTORY SECTION</b>	
List of Officials .....	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited) .....	2-10
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	11
Statement of Activities .....	12
<b>Fund Financial Statements:</b>	
Governmental Funds:	
Balance Sheet .....	13
Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Assets - Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities .....	16
Proprietary Funds:	
Statement of Fund Net Assets .....	17
Statement of Revenues, Expenses, and Changes in Net Assets .....	18
Statement of Cash Flows .....	19
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	20
<b>Notes to Financial Statements:</b>	
1 Financial Reporting Entity and Summary of Significant Accounting Policies .....	21-27
2 Stewardship, Compliance, and Accountability .....	27
3 Detailed Notes .....	28-33
4 Employees' Retirement Plan and Post Employment Benefits .....	33-34
5 Risk Management .....	34
6 Other Information .....	34-36
<b>Required Supplementary Information (other than MD&amp;A - Unaudited)</b>	
Schedule of Funding Progress .....	37
Budgetary Comparison Schedule - General Fund .....	38
Budgetary Comparison Schedule - Measure "S" - Major Special Revenue Fund .....	39
Note to Required Supplementary Information .....	40

**CITY OF NEVADA CITY, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008**

**TABLE OF CONTENTS**

	Page
<b>Combining Fund Statements and Schedules:</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet . . . . .	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance . . . . .	42
Special Revenue Funds:	
Combining Balance Sheet . . . . .	43-45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .	46-48
Nonmajor Proprietary Funds:	
Enterprise Funds:	
Combining Statement of Net Assets . . . . .	49
Combining Statement of Revenues, Expenses and Changes in Net Assets . . . . .	50
Combining Statement of Cash Flows . . . . .	51
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Assets and Liabilities . . . . .	52
Combining Statement of Changes in Assets and Liabilities . . . . .	53

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# INTRODUCTORY SECTION

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- **List of Officials**

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**CITY OF NEVADA CITY, CALIFORNIA  
CITY OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2008**

**CITY COUNCIL**

Sally Harris, Mayor

Barbara Coffman, Vice Mayor

Steve Cottrell

David McKay

**CITY STAFF**

Gene Albaugh, Administrator

Barbara Coffman, 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 Director

Cindy Siegfried, City Planner

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# FINANCIAL SECTION

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- **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, 2008, 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.

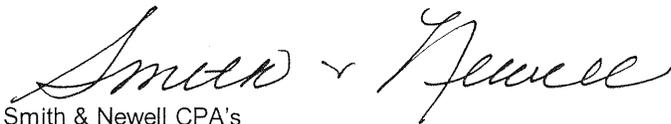
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, and the respective changes in financial position, and cash flows where applicable, 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 November 17, 2008, 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 important for assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, is not a required part of the basic financial statements but is 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 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  
November 17, 2008

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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**CITY OF NEVADA CITY, CALIFORNIA  
MANAGEMENT DISCUSSION & ANALYSIS  
Fiscal Year 2007/2008**

The following discussion provides users of the City of Nevada City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. Please read this document in conjunction with the basic financial statements and the accompanying notes to those financial statements.

The City has a diverse local economy based on business and industry, local government employment, and tourism. This allows the City to provide a variety of services to all citizens and end the year in a good financial position. Overall, general fund and business activity revenues slightly increased and the City controlled spending to end the year experiencing an increase in net assets.

**FINANCIAL HIGHLIGHTS**

The following are some financial highlights for fiscal year 2008:

Entity-wide:

- The City's assets at the end of the year increased to \$26,240,036 up \$1,213,695 from the previous fiscal year. Of this total, \$11,454,161 is Governmental assets up \$605,399 from the previous fiscal year, and \$14,785,875 is Business type assets up \$608,296 from the previous fiscal year.
- The City's liabilities at the end of the year increased to \$7,003,922 up \$301,200 from the previous fiscal year. Of this total, \$1,110,908 is Governmental liabilities down \$191,496 from the previous fiscal year, and \$5,893,014 is Business type liabilities up \$492,696 from the previous fiscal year.
- The net affect of the changes in assets and liabilities left the City's net assets at \$19,236,114 up \$912,495 from the previous fiscal year. Of this total, \$10,343,253 is Governmental up \$796,895 from the previous fiscal year, and \$8,892,861 is Business type up \$115,600 from the previous fiscal year.
- Governmental revenues include program revenues of \$1,483,014 and general revenues of \$3,761,373 for a total revenue amount of \$5,244,387. Governmental expenses were \$4,447,492.
- Business-type revenues include program revenues of \$1,813,948 and general revenues of \$218,811 for total revenues of \$ 2,032,759. Business-type expenses were \$1,917,159.

Fund level:

- Governmental Fund Balances at the end of the fiscal year were \$1,617,505 down \$624,671 from the prior fiscal year.
- Governmental Fund revenues were \$5,306,750 in 2008 compared to \$4,523,084 in 2007 for an increase of \$783,666.
- Governmental Fund expenditures of \$5,931,421 increased by \$1,168,825 from the prior year.

General Fund:

- The General Fund revenues were \$3,761,709, a decrease of \$238,217 from the prior year.
- 
- General Fund expenditures of \$4,507,235 represent an increase of \$87,386 from the prior year.
- General Fund other financing sources for the year totaled \$168,172 for a decrease of \$251,767 from 2007.
- At the end of the fiscal year, the unreserved fund balance for the General Fund was \$968,607.

## **OVERVIEW OF THE CITY'S ANNUAL FINANCIAL REPORT**

The discussion and analysis that follows is intended to serve as an introduction to the City's basic financial statements. These statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Financial Statements. This report also contains required supplementary information in addition to the basic financial statements.

### **Reporting the City as a Whole**

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, presented in a format similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with differences between the two reported as net assets. Net assets increase or decrease each year based on whether government-wide revenues exceeded the related expenditures (increase), or government-wide expenditures exceeded revenues (decrease). The change in net assets over time may provide a useful tool in measuring whether or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents financial information on what material types of revenues and expenditures transactions occurred during the fiscal year that created the increase (decrease) in net assets. All transactions are reported in the year in which they have been consummated, and not when the cash is received or paid. For example, uncollected taxes are accrued as revenue in these financial statements and earned but unused vacation pay are expensed in the period earned.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety (police & fire), public works streets and facilities maintenance, engineering, parks and recreation, land use planning and general city administration responsibilities. The business-type activities of the City include water and sewer utility operations.

The government-wide financial statements include the City only (known as the primary government). There are no component or blended component units that are part of the City's operations.

## **Reporting the City's Most Significant Funds**

The fund financial statements provide detailed information about the most significant funds not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal or contractual responsibilities. All of the funds of the City can be divided into the following categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Most of the City's basic services are reported in governmental funds. These funds focus on how money flows into and out of these funds and balances left at year end that are available for subsequent expenditure. These funds are reported using an accounting method called modified accrual which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**Proprietary Funds.** Proprietary funds are generally used to account for services for which the City charges customers. Proprietary funds are meant to be financially self-supporting. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City's proprietary funds are used to account for the water and sewer services provided by the City.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties other than the City. The accounting used for fiduciary funds is much like that of the proprietary funds. The fiduciary fund activity is excluded from the City's other financial statements, because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **Notes to Financial Statements**

The notes to the financial statements provide additional information for readers that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE.

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1 to 2 focus on the City's Governmental Statement of Net Assets and Statement of Activities and Tables 3 to 5 focuses on the City's Business-type Statement of Net Assets and Statement of Activities.

### Governmental Activities:

**Table 1**  
**Governmental Net Assets at June 30**

	<u>2008</u>	<u>2007</u>
Cash and investments	\$1,281,350	\$1,946,940
Other assets	620,237	680,082
Capital assets	9,552,574	8,221,740
<b>Total Assets</b>	<b>\$11,454,161</b>	<b>\$10,848,762</b>
Current liabilities	457,252	525,228
Long term debt	653,656	777,176
<b>Total Liabilities</b>	<b>\$1,110,908</b>	<b>\$1,302,404</b>
<b>Net Assets:</b>		
Invested in Capital assets, net of related debt	\$8,801,488	\$7,326,863
Restricted	530,524	-
Unrestricted	1,011,241	2,219,495
<b>Total Net Assets</b>	<b>\$10,343,253</b>	<b>\$9,546,358</b>

The City's Governmental net assets were \$10,343,253 as of June 30, 2008, an increase of \$796,895 over the prior year. This increase is the change in net assets shown in Table 1. The City's Governmental Net Assets as of June 30, 2008 were comprised of the net of the following:

- Cash of \$1,281,350 held in the State of California's Local Agency Investment Fund and the City's money market savings and general checking accounts.
- Receivables of \$617,559 comprised of accrued revenues and amounts due from other funds.
- Prepaid insurance of \$2,678.
- Capital assets net of depreciation charges of \$9,552,574, this includes all of the City's infrastructure as well as other capital assets used in government activities, see Notes 1 and 3 for additional information on capital assets.
- Current liabilities including accounts payable, accrued expenses, employee leave time earned but not yet used and amounts due to other funds totaling \$457,252.
- Long term debt of \$858,518 of which \$653,656 matures in future years and \$204,862 is due currently. Note 3 provides additional detail on the City's long term debt.

Note 3 provides more information on the changes in the City's capital assets during the year.

**Table 2  
Changes in Governmental Net Assets June 30**

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for service	\$608,981	\$507,730
Grants and contributions	874,033	276,667
General Revenues:		
Property taxes	1,818,430	1,501,157
Other taxes	1,787,675	1,749,997
Interest and Investment Earnings	126,275	140,557
Other general revenues	28,993	423,837
<b>Total Revenues</b>	<b>\$5,244,387</b>	<b>\$4,599,945</b>
Program Expenses:		
General government	\$1,287,076	\$1,223,335
Public Safety	1,988,724	1,876,565
Public works	816,471	839,415
Community Development	0	2,283
Parks and Recreation	316,607	298,119
Interest on Long-term debt	38,614	33,633
<b>Total expenses</b>	<b>\$4,447,492</b>	<b>\$4,273,350</b>
<b>Net (Expense) Revenue</b>	<b>796,895</b>	<b>326,595</b>
Prior Period Adjustment	0	71,379
<b>Change in Net Assets</b>	<b>\$796,895</b>	<b>\$397,974</b>

Total Governmental revenues increased by 14.0% from the prior year. Other tax (includes sales and use tax, franchise tax, and transient occupancy tax) increased 2% over the previous fiscal year. Sales and use tax increased 8% over the previous fiscal year with Measure "S" collections being \$654,459, while the combined franchise tax and transient occupancy tax declined 13% from the previous fiscal year collections. The City's sales tax revenue can fluctuate with the activity of several large businesses that generate a significant percentage of the City's sales tax. The 07/08 assessed property valuations were 9% higher than the fiscal year 06/07 aiding in a property tax increase of 11%, of which 9% came from secured property taxes. The City experienced a decrease in interest earnings of 10% related to a decrease in cash and investment balances and a declining interest rate environment during the 07/08 fiscal year.

Total Governmental expenses increased 4% over the prior fiscal year. The increase in program expenses were mostly associated to the general government and safety programs. The general government experienced a 5% increase over the previous fiscal year associated to the positions of City Planner, Finance Director, and the 2 Finance and Administrative positions being filled for a complete fiscal year. Safety experienced a 6% increase from the previous fiscal year mostly related to an increase in the Fire Departments salaries and benefits as compared to 06/07.

Table 2 shows that 28.3% 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 17.1% of the City's Governmental revenues. The increase in charges for services was primarily associated to the program of public ways and facilities, associated to increased mitigation fee collection, an increase in rent 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>2008</u>	<u>2007</u>
Cash and investments	\$962,269	\$851,053
Other assets	253,939	125,646
Capital assets	13,569,667	13,200,880
<b>Total Assets</b>	<b>\$14,785,875</b>	<b>\$14,177,579</b>
Current liabilities	\$417,184	\$604,479
Long term debt	5,475,830	4,795,839
<b>Total Liabilities</b>	<b>\$5,893,014</b>	<b>\$5,400,318</b>
Net Assets:		
Contributed Capital	\$7,931,506	\$8,260,658
Reserved	167,867	148,406
Unrestricted	793,488	368,197
<b>Total Net Assets</b>	<b>\$8,892,861</b>	<b>\$8,777,261</b>

The City's Business-Type enterprises consist of water and sewer services. Total assets increased 4%, being driven by an increase in the cash for the Wastewater Treatment Plant. The liabilities increased in the area of long term debt related to the final draw on 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**

	<b>2008</b>	<b>2007</b>
Revenues:		
Program revenues:		
Water	\$487,770	\$558,791
Sewer	1,311,787	2,769,265
Other Enterprise Funds	14,391	7,007
General Revenues	218,811	211,368
<b>Total Revenues</b>	<b>\$2,032,759</b>	<b>\$3,546,431</b>
Expenses:		
Water	\$660,203	\$631,745
Sewer	1,225,106	1,235,253
Other Enterprise Funds	31,850	19,522
<b>Total Expenses</b>	<b>\$1,917,159</b>	<b>\$1,886,520</b>
<b>Net (Expense) Revenue</b>	<b>115,600</b>	<b>1,659,911</b>
Prior Period Adjustment	0	(124,357)
<b>Change in Net Assets</b>	<b>\$115,600</b>	<b>\$1,535,554</b>

The City's Business-type revenues decreased by 43%, the significant portion of the decrease from the fiscal year 06/07 to 07/08 was due to the capital grants and contributions received for the Wastewater Treatment Plant upgrade in 06/07 that weren't received in 07/08. Water revenue collection declined 13% from the 06/07 fiscal year when the City collected additional revenue on water utility accounts that were reviewed and assessed corrected usage fees. Sewer revenues declined 53% because in the fiscal year 06/07 the City received \$1.6 million in grant contributions for the Wastewater Treatment Plant upgrade. The actual sewer utility collections for 07/08 were \$1.31 million, a 12% increase over the 06/07 sewer utility collections of \$1.17 million.

The City completed the construction of the Wastewater Treatment Plant during the fiscal year end 2006/2007, receiving the final on the project early 07/08. The City took the final advance on the 2007 Certificate of Participation during 07/08 from the United States Department of Agriculture, Rural Development after the completion of the project.

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

	<b>2008</b>	<b>2007</b>
Water Services	\$(123,147)	\$(11,011)
Sewer Services	255,921	1,683,437
Other Enterprise Funds	(17,174)	(12,515)
<b>Totals</b>	<b>\$115,600</b>	<b>\$1,659,911</b>

The decrease in Net Income for fiscal year 2007/2008 in water services from the prior year relates to an increase in operating expenses of 5% mostly associated to the increased volume in raw water purchased from the NID during the fiscal year 07/08 versus the fiscal year 06/07. Also affecting the decline in Net Income was the 13% decrease in water service revenues addressed above. The decline in Net Income for fiscal year 07/08 in sewer services is associated in whole to the decline in programs revenues addressed above.

## **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, 2008  
(Net of Depreciation)**

	<b>Government Activities</b>	<b>Business Activities</b>	<b>Total</b>
Land	\$1,178,782	\$0	\$1,178,782
Structures & Improvements	9,791,647	11,363,945	21,155,592
Vehicles, machinery and equipment	2,573,605	2,469,421	5,043,026
Construction in Progress	80,477	6,009,282	6,089,759
Less accumulated depreciation	(4,071,937)	(6,272,981)	(10,344,918)
<b>Totals</b>	<b>\$9,552,574</b>	<b>\$13,569,667</b>	<b>\$23,122,241</b>

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 \$6,528,266 in long term debt outstanding compared to \$5,954,182 at 06/30/07. The City incurred increased long term debt of \$574,084 mostly associated to the final draw on the 2007 Certificate of Participation Wastewater Promissory Note payable to the United States Department of Agriculture (USDA) for the Wastewater Treatment Plant upgrade that began fiscal year 04/05. The City also refinanced USDA Sewer Bonds Series A and B and USDA Sewer Fund Promissory note, totaling \$1,016,542 for a reduced interest rate of 4.1%. The City reduced debt during the year by making scheduled principal payments on existing debt.

**Table 7**  
**Outstanding Debt at June 30, 2008**

	Government Activities	Business Activities	Total
Loans Payable	\$28,961	\$1,689,161	\$1,718,122
Bonds Payable	-	-	-
Certificates of Participation	-	3,949,000	3,949,000
Capital Leases	722,125	-	722,125
Compensated absences payable	107,432	31,587	139,019
Totals	<b>\$858,518</b>	<b>\$5,669,748</b>	<b>\$6,528,266</b>

## 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, 2008**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,281,350	\$ 962,269	\$ 2,243,619
Accounts receivable	207,839	331,784	539,623
Interest receivable	12,138	13,322	25,460
Taxes receivable	304,319	-	304,319
Internal balances	93,263	(93,263)	-
Prepaid costs	2,678	2,096	4,774
Capital assets:			
Non depreciable assets	1,259,259	6,009,282	7,268,541
Depreciable assets, net of depreciation	8,293,315	7,560,385	15,853,700
Total capital assets	9,552,574	13,569,667	23,122,241
<b>Total Assets</b>	11,454,161	14,785,875	26,240,036
<b><u>LIABILITIES</u></b>			
Accounts payable	133,175	99,940	233,115
Salaries and benefits payable	106,278	19,347	125,625
Interest payable	3,658	103,589	107,247
Deposits payable	-	390	390
Unearned revenue	9,279	-	9,279
Long-term liabilities:			
Due within one year	204,862	193,918	398,780
Due in more than one year	653,656	5,475,830	6,129,486
<b>Total Liabilities</b>	1,110,908	5,893,014	7,003,922
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	8,801,488	7,931,506	16,732,994
Restricted for:			
Debt service	-	167,867	167,867
Grants, taxes and fees	530,524	-	530,524
Unrestricted	1,011,241	793,488	1,804,729
<b>Total Net Assets</b>	\$ 10,343,253	\$ 8,892,861	\$ 19,236,114

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, 2008**

<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	\$ 1,287,076	68,177	569,063	\$ -
Public protection	1,988,724	121,252	80,401	-
Public ways and facilities	816,471	286,206	74,257	150,312
Recreation and culture	316,607	133,346	-	-
Interest on long-term debt	38,614	-	-	-
<b>Total Governmental Activities</b>	<b>4,447,492</b>	<b>608,981</b>	<b>723,721</b>	<b>150,312</b>
Business-type activities:				
Water	660,203	487,770	-	-
Sewer	1,225,106	1,311,787	-	-
Veteran's building	31,850	14,391	-	-
<b>Total Business-type Activities</b>	<b>1,917,159</b>	<b>1,813,948</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 6,364,651</b>	<b>\$ 2,422,929</b>	<b>\$ 723,721</b>	<b>\$ 150,312</b>

**General revenues:**

Taxes:

  Property taxes

  Sales and use taxes

  Franchise taxes

  Transient occupancy taxes

Interest and investment earnings

Miscellaneous

**Total General Revenues**

**Change in Net Assets**

**Net Assets - Beginning**

**Net Assets - Ending**

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

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (649,836)	\$ -	\$ (649,836)
(1,787,071)	-	(1,787,071)
(305,696)	-	(305,696)
(183,261)	-	(183,261)
<u>(38,614)</u>	<u>-</u>	<u>(38,614)</u>
<u>(2,964,478)</u>	<u>-</u>	<u>(2,964,478)</u>
-	(172,433)	(172,433)
-	86,681	86,681
<u>-</u>	<u>(17,459)</u>	<u>(17,459)</u>
-	(103,211)	(103,211)
<u>(2,964,478)</u>	<u>(103,211)</u>	<u>(3,067,689)</u>
1,818,430	-	1,818,430
1,405,617	-	1,405,617
87,843	-	87,843
294,215	-	294,215
126,275	55,793	182,068
<u>28,993</u>	<u>163,018</u>	<u>192,011</u>
<u>3,761,373</u>	<u>218,811</u>	<u>3,980,184</u>
796,895	115,600	912,495
<u>9,546,358</u>	<u>8,777,261</u>	<u>18,323,619</u>
<u>\$ 10,343,253</u>	<u>\$ 8,892,861</u>	<u>\$ 19,236,114</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, 2008**

	<u>General</u>	<u>Prop 1B</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 245,167	\$ 399,955	\$ -	\$ 636,228	\$ 1,281,350
Accounts receivable	138,074	-	8,416	29,657	176,147
Interest receivable	2,966	2,880	-	6,292	12,138
Taxes receivable	214,114	-	85,400	4,805	304,319
Due from other funds	653,365	-	-	3,065	656,430
Prepaid costs	2,678	-	-	-	2,678
<b>Total Assets</b>	<b>\$ 1,256,364</b>	<b>\$ 402,835</b>	<b>\$ 93,816</b>	<b>\$ 680,047</b>	<b>\$ 2,433,062</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 106,838	\$ 300	\$ 3,236	\$ 22,801	\$ 133,175
Salaries and benefits payable	105,320	-	958	-	106,278
Interest payable	-	-	2,673	985	3,658
Unearned revenue	9,279	-	-	-	9,279
Due to other funds	66,245	-	371,185	125,737	563,167
<b>Total Liabilities</b>	<b>287,682</b>	<b>300</b>	<b>378,052</b>	<b>149,523</b>	<b>815,557</b>
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General					
Designated	75	-	-	-	75
Undesignated	968,607	-	-	-	968,607
Special Revenue					
Undesignated	-	402,535	(284,236)	530,524	648,823
<b>Total Fund Balances</b>	<b>968,682</b>	<b>402,535</b>	<b>(284,236)</b>	<b>530,524</b>	<b>1,617,505</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,256,364</b>	<b>\$ 402,835</b>	<b>\$ 93,816</b>	<b>\$ 680,047</b>	<b>\$ 2,433,062</b>

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, 2008**

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 1,617,505</b>
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	9,552,574
Other long term assets are not available to pay for current period expenditures and therefore are not reported in the funds or are deferred in the funds.	
Accounts receivable	31,692
Certain liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Loans payable	<u>(858,518)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 10,343,253</u></b>

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, 2008**

	<u>General</u>	<u>Prop 1B</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ 2,909,989	\$ -	\$ 654,459	\$ 206,866	\$ 3,771,314
Licenses and permits	159,493	-	-	-	159,493
Fines and forfeitures	74,565	-	-	-	74,565
Intergovernmental revenues	172,138	400,000	-	237,709	809,847
Use of money and property	87,865	12,062	-	26,348	126,275
Charges for services	204,693	-	-	-	204,693
Other revenues	152,966	-	-	7,597	160,563
<b>Total Revenues</b>	<b>3,761,709</b>	<b>412,062</b>	<b>654,459</b>	<b>478,520</b>	<b>5,306,750</b>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	1,039,159	-	69,779	72,742	1,181,680
Public protection	1,791,600	-	-	3,675	1,795,275
Public ways and facilities	744,131	-	-	12,655	756,786
Recreation and culture	306,393	-	-	397	306,790
Debt service					
Principal	118,253	-	-	26,422	144,675
Interest and other charges	27,776	-	-	10,838	38,614
Capital outlay	479,923	9,527	889,970	328,181	1,707,601
<b>Total Expenditures</b>	<b>4,507,235</b>	<b>9,527</b>	<b>959,749</b>	<b>454,910</b>	<b>5,931,421</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(745,526)</b>	<b>402,535</b>	<b>(305,290)</b>	<b>23,610</b>	<b>(624,671)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	1,809,730	-	-	773,492	2,583,222
Transfers out	(1,641,558)	-	-	(941,664)	(2,583,222)
<b>Total Other Financing Sources (Uses)</b>	<b>168,172</b>	<b>-</b>	<b>-</b>	<b>(168,172)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(577,354)</b>	<b>402,535</b>	<b>(305,290)</b>	<b>(144,562)</b>	<b>(624,671)</b>
<b>Fund Balances - Beginning</b>	<b>1,546,036</b>	<b>-</b>	<b>21,054</b>	<b>675,086</b>	<b>2,242,176</b>
<b>Fund Balances - Ending</b>	<b>\$ 968,682</b>	<b>\$ 402,535</b>	<b>\$ (284,236)</b>	<b>\$ 530,524</b>	<b>\$ 1,617,505</b>

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, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (624,671)</b>
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.	
Expenditures for capital outlay	1,707,601
Depreciation expense	(359,575)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the capital assets disposed. There were no proceeds.	
	(17,192)
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.	
Principal retirement	144,675
Adjustments to debt payments	(884)
Some revenues reported in the statement of activities will not be collected for several months after the City's year end and do not provide current financial resources and therefore are not reported as revenue in the governmental funds.	
Change in accounts receivable	(18,598)
Change in taxes receivable	(26,573)
Some expenses reported in the statement of activities do not require the use of current financial resources therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	<u>(7,888)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 796,895</u></b>

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, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
<b><u>ASSETS</u></b>				
Current Assets				
Cash and investments	\$ -	\$ 962,269	\$ -	\$ 962,269
Accounts receivable (net of allowance)	99,321	231,847	616	331,784
Interest receivable	2,100	11,222	-	13,322
Due from other funds	291,626	571,813	-	863,439
Prepaid costs	324	1,645	127	2,096
<b>Total Current Assets</b>	<b>393,371</b>	<b>1,778,796</b>	<b>743</b>	<b>2,172,910</b>
Noncurrent Assets:				
Capital Assets (net)	2,059,999	11,509,668	-	13,569,667
<b>Total Noncurrent Assets</b>	<b>2,059,999</b>	<b>11,509,668</b>	<b>-</b>	<b>13,569,667</b>
<b>Total Assets</b>	<b>2,453,370</b>	<b>13,288,464</b>	<b>743</b>	<b>15,742,577</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	20,917	73,863	5,160	99,940
Salaries and benefits payable	8,066	10,566	715	19,347
Interest payable	13,097	90,299	193	103,589
Deposits payable	-	-	390	390
Due to other funds	557,100	372,821	26,781	956,702
Compensated absences	13,605	5,348	-	18,953
Certificates of participation	-	43,000	-	43,000
Loans payable	71,383	60,582	-	131,965
<b>Total Current Liabilities</b>	<b>684,168</b>	<b>656,479</b>	<b>33,239</b>	<b>1,373,886</b>
Noncurrent Liabilities				
Compensated absences, net of current portion	9,071	3,563	-	12,634
Certificates of participation, net of current portion	-	3,906,000	-	3,906,000
Loans payable, net of current portion	638,296	918,900	-	1,557,196
<b>Total Noncurrent Liabilities</b>	<b>647,367</b>	<b>4,828,463</b>	<b>-</b>	<b>5,475,830</b>
<b>Total Liabilities</b>	<b>1,331,535</b>	<b>5,484,942</b>	<b>33,239</b>	<b>6,849,716</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	1,350,320	6,581,186	-	7,931,506
Restricted for debt service	50,000	117,867	-	167,867
Unrestricted	(278,485)	1,104,469	(32,496)	793,488
<b>Total Net Assets</b>	<b>\$ 1,121,835</b>	<b>\$ 7,803,522</b>	<b>\$ (32,496)</b>	<b>\$ 8,892,861</b>

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, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
<b><u>OPERATING REVENUES</u></b>				
Charges for services	\$ 487,770	\$ 1,311,787	\$ 14,391	\$ 1,813,948
Other revenues	21,791	111,876	285	133,952
<b>Total Operating Revenues</b>	<b>509,561</b>	<b>1,423,663</b>	<b>14,676</b>	<b>1,947,900</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	173,989	121,638	16,754	312,381
Supplies	45,665	59,789	228	105,682
Power	128,141	76,749	3,575	208,465
Repairs and maintenance	7,887	294,802	1,562	304,251
Professional services	92,960	80,448	-	173,408
Insurance	11,146	14,319	-	25,465
Depreciation	110,879	233,936	-	344,815
Amortization	-	22,756	-	22,756
Other expenses	41,149	100,897	8,925	150,971
<b>Total Operating Expenses</b>	<b>611,816</b>	<b>1,005,334</b>	<b>31,044</b>	<b>1,648,194</b>
<b>Operating Income (Loss)</b>	<b>(102,255)</b>	<b>418,329</b>	<b>(16,368)</b>	<b>299,706</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Mitigation fees	18,700	10,366	-	29,066
Interest income	8,795	46,998	-	55,793
Interest expense	(48,387)	(219,772)	(806)	(268,965)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(20,892)</b>	<b>(162,408)</b>	<b>(806)</b>	<b>(184,106)</b>
<b>Income (loss) Before Transfers</b>	<b>(123,147)</b>	<b>255,921</b>	<b>(17,174)</b>	<b>115,600</b>
Transfers in	75,673	46,334	-	122,007
Transfers out	(75,673)	(46,334)	-	(122,007)
<b>Change in Net Assets</b>	<b>(123,147)</b>	<b>255,921</b>	<b>(17,174)</b>	<b>115,600</b>
<b>Total Net Assets - Beginning</b>	<b>1,244,982</b>	<b>7,547,601</b>	<b>(15,322)</b>	<b>8,777,261</b>
<b>Total Net Assets - Ending</b>	<b>\$ 1,121,835</b>	<b>\$ 7,803,522</b>	<b>\$ (32,496)</b>	<b>\$ 8,892,861</b>

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, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 499,282	\$ 1,404,574	\$ 14,669	\$ 1,918,525
Payments to suppliers	(373,483)	(825,938)	(9,257)	(1,208,678)
Payments to employees	(166,013)	(105,931)	(19,385)	(291,329)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(40,214)</u>	<u>472,705</u>	<u>(13,973)</u>	<u>418,518</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Mitigation fee revenue	18,700	10,366	-	29,066
Operating reimbursements and transfers to(from) other funds	137,195	(235,536)	15,133	(83,208)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>155,895</u>	<u>(225,170)</u>	<u>15,133</u>	<u>(54,142)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Purchase of capital assets	-	(711,836)	-	(711,836)
Principal paid on debt	(79,150)	(390,600)	-	(469,750)
Interest paid on debt	(43,226)	(212,826)	(1,160)	(257,212)
Debt proceeds	-	1,143,167	-	1,143,167
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(122,376)</u>	<u>(172,095)</u>	<u>(1,160)</u>	<u>(295,631)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest on investments	6,695	35,776	-	42,471
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>6,695</u>	<u>35,776</u>	<u>-</u>	<u>42,471</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>-</u>	<u>111,216</u>	<u>-</u>	<u>111,216</u>
<b>Balances - Beginning of the Year</b>	<u>-</u>	<u>851,053</u>	<u>-</u>	<u>851,053</u>
<b>Balances - End of the Year</b>	<u>\$ -</u>	<u>\$ 962,269</u>	<u>\$ -</u>	<u>\$ 962,269</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>				
Operating income (loss)	\$ (102,255)	\$ 418,329	\$ (16,368)	\$ 299,706
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	110,879	233,936	-	344,815
Amortization	-	22,756	-	22,756
Decrease (increase) in:				
Accounts receivable	(10,279)	(19,089)	(397)	(29,765)
Prepaid costs	(226)	(1,645)	(127)	(1,998)
Increase (decrease) in:				
Accounts payable	(46,309)	(197,289)	5,160	(238,438)
Salaries and benefits payable	2,628	9,007	(2,631)	9,004
Deposits payable	-	-	390	390
Compensated absences	5,348	6,700	-	12,048
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (40,214)</u>	<u>\$ 472,705</u>	<u>\$ (13,973)</u>	<u>\$ 418,518</u>

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, 2008**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 25,529
<b>Total Assets</b>	<u>\$ 25,529</u>
<b><u>LIABILITIES</u></b>	
Due to agency recipients	\$ 17,000
Agency obligations	<u>8,529</u>
<b>Total Liabilities</b>	<u>\$ 25,529</u>

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

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# **BASIC FINANCIAL STATEMENTS**

**Notes to Basic Financial Statements**

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**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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 accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the City (Primary Government) and its component units. Component units are legally separate organizations for which the Board 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 board, 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 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.

Based on the application of the criteria set forth by the Governmental Standards Board, management has determined that there are no component units of the City.

**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. Taxes and other items not properly included among program revenues are reported 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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 Prop 1B Fund is a special revenue fund used to account for revenues and expenditures related to Prop 1B.
- The Measure "S" Fund is a special revenue fund used to account for revenue and expenditures related to Measure "S".

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, proprietary funds and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. However, because agency funds only report assets and liabilities, they do not have a measurement focus. 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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues reported in the governmental funds to be available if they are collected within sixty days after the end of the current fiscal year. 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. Governmental capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, grants, entitlements, special assessments and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period when they meet the measurable and available criteria. Fines, licenses and permits, and charges for services are considered to be measurable and available only when the City receives cash.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**C. Basis of Accounting and Measurement Focus (Continued)**

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. 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.

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 month end cash expenses not meeting this definition are reported as nonoperating revenues and expenses for all funds.

**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. Cash and 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 and proprietary fund financial 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. The water and sewer fund revenues are recognized based on cycle billings rendered to customers.

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.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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 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 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.

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.

**Government-Wide Financial Statements**

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets in the governmental or business type activities column.

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

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**I. Capital Assets (Continued)**

**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.

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**

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which is paid at the date of termination from City employment. 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. All compensated pay is accrued when incurred in the government-wide and proprietary fund financial statements. For all governmental funds, termination pay-outs expected to be paid out of current financial resources are recorded as fund liabilities. Compensated absences liability is typically liquidated by the General fund for all non proprietary fund compensated absences.

**M. Net Assets/Fund Balances**

**Government-Wide Financial Statements**

Equity is classified as net assets and displayed in three components:

- 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. These principally include restrictions for capital projects, debt service requirements, and other special revenue fund purposes.
- 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.

**CITY OF NEVADA CITY, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**M. Net Assets/Fund Balances (Continued)**

**Fund Financial Statements**

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. The City's designations at June 30, 2008, are comprised of the following:

	<u>General</u>
Designated for:	
Specific Purposes	\$ 75
Total Designated	\$ 75

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.

At June 30, 2008, the City had no recorded reserves.

**N. Property Tax**

Nevada County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

**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

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**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.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Balance/Net Assets**

The following major special revenue fund had a deficit fund balance at June 30, 2008:

The Measure "S" fund had a fund balance deficit of \$248,236, which is expected to be eliminated in the future through increased revenues.

The following non-major governmental funds had deficit fund balances at June 30, 2008:

The Nevada Main Project special revenue fund had a fund balance deficit of \$527, which is expected to be eliminated in the future through increased revenues.

The TDA Fund special revenue fund had a fund balance deficit of \$2,954 which is expected to be eliminated in the future through increased revenues.

The TDA Sidewalks special revenue fund had a fund balance deficit of \$63,765, which is expected to be eliminated in the future through increased revenues.

The STIP special revenue fund had a fund balance deficit of \$14,423, 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 \$339, which is expected to be eliminated in the future through increased revenues.

The Tax Fire Dept special revenue fund had a fund balance deficit of \$3,588, which is expected to be eliminated in the future through increased revenues.

The Safe Routes to School special revenue fund had a fund deficit balance of \$3,383, which is expected to be eliminated in the future through increased revenues.

The Solar Project special revenue fund had a fund deficit balance of \$1,370, which is expected to be eliminated in the future through increased revenues.

The Bicentennial special revenue fund had a fund deficit balance of \$2,089, which is expected to be eliminated in the future through increased revenues.

The USPEA Grant special revenue fund had a fund deficit balance of \$8,450, which is expected to be eliminated in the future through increased revenues.

The following non-major enterprise funds had deficit net assets at June 30, 2008:

The Veterans Building fund had deficit net assets of \$32,496, which is expected to be eliminated in the future through increased revenues.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES**

**A. Cash and Investments**

As of June 30, 2008, the City's cash and investments consisted of the following:

Cash:		
Cash on hand		\$ 225
Deposits (less outstanding warrants)		<u>312,803</u>
Total Cash		<u>313,028</u>
Investments:		
In City's pool		<u>1,956,120</u>
Total Investments		<u>1,956,120</u>
Total Cash and Investments		<u>\$ 2,269,148</u>

**Cash**

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 the Federal Deposit Insurance Corporation. City deposits in excess of the Federal Deposit Insurance Corporation's coverage are fully collateralized.

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$312,803 and the bank balance was \$794,357. 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 deposit insurance and \$694,357 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, 2008, the City had the following investments:

	Interest Rates	Maturities			Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years	Over 5 years		
<b>Pooled Investments</b>						
Local Agency Investment Fund (LAIF)	Variable	\$ 1,956,120	\$ -	\$ -	\$ 1,956,120	\$ -
Total Pooled Investments		<u>\$ 1,956,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,956,120</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. All investments of the City are pooled with the State of California Local Agency Investment Fund. The City does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment 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 limits investments in corporate bonds to the rating of A by both Standards & Poor's or P-1 by Moody's Investors Service. The City does not have a formal investment policy that would further limit its investment choices.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City follows California Government Code which requires that deposits of more than \$100,000 must be collateralized. The City does not have a formal investment policy that would further limit the exposure to custodial credit risk.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**A. Cash and Investments (Continued)**

**Investments (Continued)**

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer, corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other than deposits and imprest cash in the California Local Agency Investment Fund (LAIF).

Investment in Local Agency Investment Fund - 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, 2008, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$1,956,120, 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 \$70,024,464,150. Of that amount, 85.28% is invested in non-derivative financial products and 14.72% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Governmental Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,178,782	\$ -	\$ -	\$ -	\$ 1,178,782
Construction in progress	<u>110,046</u>	<u>80,477</u>	<u>(110,046)</u>	<u>-</u>	<u>80,477</u>
Total Capital Assets, Not Being Depreciated	<u>1,288,828</u>	<u>80,477</u>	<u>(110,046)</u>	<u>-</u>	<u>1,259,259</u>
Capital Assets, Being Depreciated:					
Land improvements	4,486,393	1,191,372	-	-	5,677,765
Building and improvements	3,730,053	383,829	-	-	4,113,882
Equipment	1,806,126	108,397	-	881	1,915,404
Vehicles	<u>636,367</u>	<u>53,572</u>	<u>(31,738)</u>	<u>-</u>	<u>658,201</u>
Total Capital Assets, Being Depreciated	<u>10,658,939</u>	<u>1,737,170</u>	<u>(31,738)</u>	<u>881</u>	<u>12,365,252</u>
Less Accumulated Depreciation for:					
Land improvements	( 1,340,323)	( 138,227)	-	-	( 1,478,550)
Buildings and improvements	( 711,113)	( 94,068)	-	-	( 805,181)
Equipment	( 1,445,035)	( 84,255)	-	-	( 1,529,290)
Vehicles	<u>( 229,556)</u>	<u>( 43,906)</u>	<u>14,546</u>	<u>-</u>	<u>( 258,916)</u>
Total Accumulated Depreciation	<u>( 3,726,027)</u>	<u>( 360,456)</u>	<u>14,546</u>	<u>-</u>	<u>( 4,071,937)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,932,912</u>	<u>1,376,714</u>	<u>( 17,192)</u>	<u>881</u>	<u>8,293,315</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,221,740</u>	<u>\$ 1,457,191</u>	<u>(\$ 127,238)</u>	<u>\$ 881</u>	<u>\$ 9,552,574</u>

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**B. Capital Assets (Continued)**

	Balance July 1, 2007	Additions	Retirements	Adjustments	Balance June 30, 2008
<b>Business-Type Activities</b>					
Capital Assets, Not Being Depreciated:					
Construction in progress	5,325,254	684,028	-	-	6,009,282
Total Capital Assets, Not Being Depreciated	5,325,254	684,028	-	-	6,009,282
Capital Assets, Being Depreciated:					
Structures and improvements	11,336,139	27,806	-	-	11,363,945
Equipment	2,448,364	1,768	-	-	2,450,132
Vehicles	19,289	-	-	-	19,289
Total Capital Assets, Being Depreciated	13,803,792	29,574	-	-	13,833,366
Less Accumulated Depreciation for:					
Structures and improvements	( 4,960,114)	( 284,108)	-	-	( 5,244,222)
Equipment	( 966,124)	( 58,779)	-	-	( 1,024,903)
Vehicles	( 1,928)	( 1,928)	-	-	( 3,856)
Total Accumulated Depreciation	( 5,928,166)	( 344,815)	-	-	( 6,272,981)
Total Capital Assets, Being Depreciated, Net	7,875,626	( 315,241)	-	-	7,560,385
Business-Type Activities Capital Assets, Net	<u>\$ 13,200,880</u>	<u>\$ 368,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,569,667</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 109,137
Public safety	182,000
Public ways and facilities	61,115
Recreation and culture	8,204
Total Depreciation Expense - Governmental Functions	<u>\$ 360,456</u>

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

Water	\$ 110,879
Sewer	233,936
Total Depreciation Expense - Business-Type Functions	<u>\$ 344,815</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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**C. Long-Term Liabilities**

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Loans	\$ 38,321	\$ -	\$ 9,360	\$ 28,961	\$ 9,984
Capital Leases (Note 3D)	856,556	884	135,315	722,125	130,419
Compensated Absences (Note 1L)	<u>99,544</u>	<u>67,184</u>	<u>59,296</u>	<u>107,432</u>	<u>64,459</u>
Total Governmental Activities					
- Long-Term Liabilities	<u>\$ 994,421</u>	<u>\$ 68,068</u>	<u>\$ 203,971</u>	<u>\$ 858,518</u>	<u>\$ 204,862</u>
<b>Business-Type Activities</b>					
Loans	\$ 778,230	\$ 998,011	\$ 68,550	\$ 1,707,691	\$ 133,055
Less: Issue Costs	<u>-</u>	<u>( 18,530)</u>	<u>-</u>	<u>( 18,530)</u>	<u>( 1,090)</u>
Loans (Net)	<u>778,230</u>	<u>979,481</u>	<u>68,550</u>	<u>1,689,161</u>	<u>131,965</u>
Bonds	357,000	-	357,000	-	-
Certificates of Participation	3,808,315	803,685	663,000	3,949,000	43,000
Less: Issue Costs	<u>( 22,756)</u>	<u>-</u>	<u>( 22,756)</u>	<u>-</u>	<u>-</u>
Certificates of Participation (Net)	<u>3,785,559</u>	<u>803,685</u>	<u>640,244</u>	<u>3,949,000</u>	<u>43,000</u>
Capital Leases (Note 3D)	19,433	1,767	21,200	-	-
Compensated Absences (Note 1L)	<u>19,539</u>	<u>18,142</u>	<u>6,094</u>	<u>31,587</u>	<u>18,953</u>
Total Business-Type Activities					
- Long-Term Liabilities	<u>\$ 4,959,761</u>	<u>\$ 1,803,075</u>	<u>\$ 1,093,088</u>	<u>\$ 5,669,748</u>	<u>\$ 195,008</u>
				<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>

At June 30, 2008, 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.	\$ -	\$ 709,679
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.	28,961	-
Citizens Bank USDA Refunding Loan dated June 1, 2008, payable in semiannual installments of \$2,369 to \$77,556 with an interest rate of 4.1% and maturity of August 1, 2025.	<u>-</u>	<u>998,012</u>
Total Loans Payable	<u>\$ 28,961</u>	<u>\$ 1,707,691</u>

At June 30, 2008, Certificates of Participation consisted of the following:

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.	-	2,149,000
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.	<u>-</u>	<u>1,800,000</u>
Total Certificates of Participation	<u>\$ -</u>	<u>\$ 3,949,000</u>

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**C. Long-Term Liabilities (Continued)**

The annual aggregate maturities for the years subsequent to June 30, 2008, are as follows:

<u>Loans</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year Ended June 30					
2009	\$ 9,984	\$ 1,097	\$ 133,055	\$ 52,347	\$ 196,483
2010	10,284	1,288	120,632	62,870	195,074
2011	8,693	266	125,642	57,860	192,461
2012	-	-	134,731	52,562	187,293
2013	-	-	138,928	46,993	185,921
2014-2018	-	-	629,142	147,015	776,157
2019-2023	-	-	309,858	53,359	363,217
2024-2028	-	-	115,703	5,898	121,601
Total	<u>\$ 28,961</u>	<u>\$ 2,651</u>	<u>\$ 1,707,691</u>	<u>\$ 478,904</u>	<u>\$ 2,218,207</u>

<u>Certificates of Participation</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year Ended June 30					
2009	\$ -	\$ -	\$ 43,000	\$ 164,681	\$ 207,681
2010	-	-	45,000	162,835	207,835
2011	-	-	47,000	160,907	207,907
2012	-	-	49,000	158,893	207,893
2013	-	-	51,000	156,795	207,795
2014-2018	-	-	288,000	749,404	1,037,404
2019-2023	-	-	352,000	687,050	1,039,050
2024-2028	-	-	433,000	600,574	1,033,574
2029-2033	-	-	531,000	499,822	1,030,822
2034-2038	-	-	653,000	375,993	1,028,993
2039-2043	-	-	801,000	223,970	1,024,970
2044-2048	-	-	656,000	49,239	705,239
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,949,000</u>	<u>\$ 3,990,163</u>	<u>\$ 7,939,163</u>

**D. 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.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2008</u>
Governmental fund activities	4.39-4.55	\$ 722,125
Total Capital Lease Obligations		<u>\$ 722,125</u>

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

	<u>Governmental Activities</u>
Buildings	\$ 2,216,192
Less: accumulated depreciation	( 405,126)
Net Value	<u>\$ 1,811,066</u>

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3: DETAILED NOTES (CONTINUED)**

**D. Leases (Continued)**

As of June 30, 2008, capital lease annual amortization was as follows:

Year Ending June 30:	<u>Governmental Activities</u>
2009	\$ 161,758
2010	161,758
2011	161,758
2012	161,758
2013	99,509
2014-2018	<u>74,520</u>
Total Requirements	821,061
Less Interest	( 98,936)
Present Value of Remaining Payments	<u>\$ 722,125</u>

**E. 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, 2008:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 653,365	\$ 66,245
Measure "S"	-	371,185
Nonmajor Governmental Funds	3,065	125,737
Water	291,626	557,100
Sewer	571,813	372,821
Nonmajor Enterprise Fund	-	<u>26,781</u>
Total	<u>\$ 1,519,869</u>	<u>\$ 1,519,869</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, 2008:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,809,730	\$ 1,641,558
Nonmajor Governmental Funds	773,492	941,664
Water	75,673	75,673
Sewer	<u>46,334</u>	<u>46,334</u>
Total	<u>\$ 2,705,229</u>	<u>\$ 2,705,229</u>

**NOTE 4: EMPLOYEES' RETIREMENT 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4: EMPLOYEES' RETIREMENT 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 2007/2008 was 10.470 percent for miscellaneous employees and 29.597 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 2007/2008, the City's annual pension cost of \$257,391 for PERS was equal to the City's actual contributions. The required contributions for fiscal year 2007/2008 were determined as part of the June 30, 2005, 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. The table below presents three-year trend information.

**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, 2006	\$ -	100%	-
June 30, 2007	222,639	100%	-
June 30, 2008	257,391	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.

**NOTE 6: OTHER INFORMATION**

**A. Subsequent Event**

On August 1, 2008, the City invested in a Tax Revenue Anticipation Note (TRAN) for \$1,130,204. The interest rate on the Tax Revenue Anticipation Note is 2.78 percent and is to be repaid by June 30, 2009.

**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.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 6: OTHER INFORMATION (CONTINUED)**

**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.

**D. New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has released the following new standards:

GASB Statement No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions (OPEB) addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. GASB Statement No. 45 is effective for the City's fiscal year ending June 30, 2009.

Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued in November 2006. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any of five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. GASB Statement No. 49 is effective for financial statements for years beginning after December 15, 2007.

Statement No. 50, Pension Disclosures, an amendment of GASB Statement No. 25 and No. 27, enhances the information disclosed in the notes to the financial statements or presented as required supplementary information (RSI). Statement No. 50 is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers, and conforms to the applicable changes adopted in Statement No. 45. GASB Statement No. 50 is effective for financial statements for years beginning after June 15, 2007.

**CITY OF NEVADA CITY, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 6: OTHER INFORMATION (CONTINUED)**

**D. New Accounting Pronouncements (Continued)**

Statement No. 51, Accounting and Financial Reporting for Intangible Assets requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. GASB Statement No. 51 is effective for financial statements for years beginning after June 15, 2009.

Statement No. 52, Land and Other Real Estate Held as Investments by Endowments improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. GASB Statement No. 52 is effective for financial statements for years beginning after June 15, 2008.

Statement No.53, Accounting and Financial Reporting for Derivative Instruments addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts and futures contracts. GASB Statement No. 53 is effective for financial statements for years beginning after June 15, 2009.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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**CITY OF NEVADA CITY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF FUNDING PROGRESS - PENSION**

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2008, for the risk pool which includes the City Miscellaneous Plan and the Safety Police Plan.

Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2004	\$ 434,267,445	\$ 379,807,592	\$ 54,459,853	97.5%	86.3%	\$ 97,227,479	56.0%
June 30, 2005	579,276,103	500,388,523	78,887,580	86.4%	88.6%	129,379,492	61.0%
June 30, 2006	912,988,585	787,758,909	125,229,676	86.3%	91.1%	200,320,145	62.5%

Safety Police Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2004	\$5,383,921,942	\$4,424,586,846	\$ 959,335,096	82.2%	86.3%	\$575,296,434	166.8%
June 30, 2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	88.6%	664,147,796	161.4%
June 30, 2006	7,278,049,834	6,102,615,567	1,175,434,267	83.9%	88.9%	754,730,438	155.7%

**CITY OF NEVADA CITY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 3,146,000	\$ 3,046,000	\$ 2,909,989	\$ (136,011)
Licenses and permits	150,000	150,000	159,493	9,493
Fines and forfeitures	85,000	85,000	74,565	(10,435)
Intergovernmental revenues	-	-	172,138	172,138
Use of money and property	88,500	88,500	87,865	(635)
Charges for services	115,000	115,000	204,693	89,693
Other revenues	145,000	145,000	152,966	7,966
<b>Total Revenues</b>	<u>3,729,500</u>	<u>3,629,500</u>	<u>3,761,709</u>	<u>132,209</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	1,056,901	1,048,901	1,039,159	9,742
Public protection	1,978,698	1,978,698	1,791,600	187,098
Public ways and facilities	364,747	364,747	744,131	(379,384)
Recreation and culture	340,932	340,932	306,393	34,539
Debt service				
Principal	113,864	113,864	118,253	(4,389)
Interest and other charges	40,634	40,634	27,776	12,858
Capital outlay	302,000	679,050	479,923	199,127
<b>Total Expenditures</b>	<u>4,197,776</u>	<u>4,566,826</u>	<u>4,507,235</u>	<u>59,591</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(468,276)</u>	<u>(937,326)</u>	<u>(745,526)</u>	<u>191,800</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	1,809,730	1,809,730
Transfers out	-	-	(1,641,558)	(1,641,558)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>168,172</u>	<u>168,172</u>
<b>Net Change in Fund Balance</b>	<u>(468,276)</u>	<u>(937,326)</u>	<u>(577,354)</u>	<u>359,972</u>
<b>Fund Balance - Beginning</b>	<u>1,546,036</u>	<u>1,546,036</u>	<u>1,546,036</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,077,760</u>	<u>\$ 608,710</u>	<u>\$ 968,682</u>	<u>\$ 359,972</u>

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

See accompanying note to the required supplementary information.

**CITY OF NEVADA CITY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**MEASURE "S" - MAJOR SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 410,000	\$ 410,000	\$ 654,459	\$ 244,459
<b>Total Revenues</b>	<u>410,000</u>	<u>410,000</u>	<u>654,459</u>	<u>244,459</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	-	-	69,779	(69,779)
Capital outlay	<u>370,000</u>	<u>370,000</u>	<u>889,970</u>	<u>(519,970)</u>
<b>Total Expenditures</b>	<u>370,000</u>	<u>370,000</u>	<u>959,749</u>	<u>(589,749)</u>
<b>Net Change in Fund Balance</b>	40,000	40,000	(305,290)	(345,290)
<b>Fund Balance - Beginning</b>	<u>21,054</u>	<u>21,054</u>	<u>21,054</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 61,054</u>	<u>\$ 61,054</u>	<u>\$ (284,236)</u>	<u>\$ (345,290)</u>

See accompanying note to the required supplementary information.

**CITY OF NEVADA CITY, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**A. SCHEDULE OF FUNDING PROGRESS - PENSION**

The Schedule of Funding Progress - Pension presents a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

**B. 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 City did not adopt a budget for the Prop 1B major special revenue fund.

**C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The Measure "S" special revenue fund had expenditures in excess of appropriations of \$589,749. This was caused by excess capital outlay expenditures.

**D. ENCUMBRANCES**

The City does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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**CITY OF NEVADA CITY, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008**

	<b>Special Revenue Funds</b>	<b>Totals</b>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 636,228	\$ 636,228
Accounts receivable	29,657	29,657
Interest receivable	6,292	6,292
Taxes receivable	4,805	4,805
Due from other funds	3,065	3,065
Prepaid costs	-	-
<b>Total Assets</b>	<b>\$ 680,047</b>	<b>\$ 680,047</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 22,801	\$ 22,801
Interest payable	985	985
Due to other funds	125,737	125,737
<b>Total Liabilities</b>	<b>149,523</b>	<b>149,523</b>
<b>FUND BALANCES</b>		
Unreserved: Undesignated	530,524	530,524
<b>Total Fund Balances</b>	<b>530,524</b>	<b>530,524</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 680,047</b>	<b>\$ 680,047</b>

**CITY OF NEVADA CITY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>	<b>Totals</b>
<b><u>REVENUES</u></b>		
Taxes and assessments	\$ 206,866	\$ 206,866
Intergovernmental revenues	237,709	237,709
Use of money and property	26,348	26,348
Other revenues	7,597	7,597
<b>Total Revenues</b>	478,520	478,520
<b><u>EXPENDITURES</u></b>		
Current:		
General government	72,742	72,742
Public protection	3,675	3,675
Public ways and facilities	12,655	12,655
Recreation and culture	397	397
Debt service:		
Principal	26,422	26,422
Interest	10,838	10,838
Capital outlay	328,181	328,181
<b>Total Expenditures</b>	454,910	454,910
<b>Excess of Revenues Over (Under) Expenditures</b>	23,610	23,610
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers in	773,492	773,492
Transfers out	(941,664)	(941,664)
<b>Total Other Financing Sources (Uses)</b>	(168,172)	(168,172)
<b>Net Change in Fund Balances</b>	(144,562)	(144,562)
<b>Fund Balances - Beginning</b>	675,086	675,086
<b>Fund Balances - Ending</b>	\$ 530,524	\$ 530,524

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**NONMAJOR GOVERNMENTAL FUNDS**

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**NONMAJOR GOVERNMENTAL FUNDS**  
Special Revenue Funds

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**CITY OF NEVADA CITY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**

	AB 1600	Nevada Main Project	Gas Tax Streets	TDA Funds
<b><u>ASSETS</u></b>				
Cash and investments	\$ 383,126	\$ -	\$ 82,528	\$ -
Accounts receivable	29,657	-	-	-
Interest receivable	2,759	-	815	573
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
	<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 83,343</b>	<b>\$ 573</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 450	\$ -	\$ 3,527
Interest payable	-	-	-	-
Due to other funds	-	77	-	-
	<b>Total Liabilities</b>	<b>527</b>	<b>-</b>	<b>3,527</b>
<b>FUND BALANCES</b>				
Unreserved				
Undesignated	415,542	(527)	83,343	(2,954)
	<b>Total Fund Balances</b>	<b>(527)</b>	<b>83,343</b>	<b>(2,954)</b>
	<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 83,343</b>	<b>\$ 573</b>

<u>TDA Sidewalks</u>	<u>Prop 116</u>	<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>
\$ -	\$ -	\$ -	\$ 56,210	\$ -	\$ 51,336	\$ 39,854	\$ -
-	-	-	-	-	-	-	-
-	-	113	405	-	370	352	476
-	-	-	-	-	-	1,613	3,192
-	-	-	-	-	-	3,065	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 56,615</u>	<u>\$ -</u>	<u>\$ 51,706</u>	<u>\$ 44,884</u>	<u>\$ 3,668</u>
\$ 5,072	\$ -	\$ 8,802	\$ -	\$ -	\$ -	\$ -	\$ -
953	-	-	-	2	-	-	-
<u>57,740</u>	<u>-</u>	<u>5,734</u>	<u>-</u>	<u>337</u>	<u>-</u>	<u>48,472</u>	<u>3,065</u>
<u>63,765</u>	<u>-</u>	<u>14,536</u>	<u>-</u>	<u>339</u>	<u>-</u>	<u>48,472</u>	<u>3,065</u>
<u>(63,765)</u>	<u>-</u>	<u>(14,423)</u>	<u>56,615</u>	<u>(339)</u>	<u>51,706</u>	<u>(3,588)</u>	<u>603</u>
<u>(63,765)</u>	<u>-</u>	<u>(14,423)</u>	<u>56,615</u>	<u>(339)</u>	<u>51,706</u>	<u>(3,588)</u>	<u>603</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 56,615</u>	<u>\$ -</u>	<u>\$ 51,706</u>	<u>\$ 44,884</u>	<u>\$ 3,668</u>

**CITY OF NEVADA CITY, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2008**

	<b>Fire - Old Tx Cap</b>	<b>Transportation</b>	<b>NC Recreation</b>	<b>TEA Funds</b>
<b><u>ASSETS</u></b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Interest receivable	262	-	-	-
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
<b>Total Assets</b>	\$ 262	\$ -	\$ -	\$ -
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
	-	-	-	-
<b>Total Liabilities</b>	-	-	-	-
<b>FUND BALANCES</b>				
Unreserved:				
Undesignated	262	-	-	-
<b>Total Fund Balances</b>	262	-	-	-
<b>Total Liabilities and Fund Balances</b>	\$ 262	\$ -	\$ -	\$ -

<u>Per Capita</u>	<u>CDBG Tourism</u>	<u>Clean Air/Parks</u>	<u>Safe Routes to School</u>	<u>Solar Project</u>	<u>Comcast Tech</u>	<u>Youth Center Grant</u>	<u>Recycle/ Landfill</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 986	\$ 4,818	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	7	35	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993</u>	<u>\$ 4,853</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ -
-	-	-	20	10	-	-	-
-	-	-	2,763	1,360	-	-	-
-	-	-	3,383	1,370	-	-	-
-	-	-	(3,383)	(1,370)	993	4,853	-
-	-	-	(3,383)	(1,370)	993	4,853	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993</u>	<u>\$ 4,853</u>	<u>\$ -</u>

**CITY OF NEVADA CITY, CALIFORNIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**

	<u>Train Museum</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Wilson Bequest</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ -	\$ -	\$ 17,370	\$ -
Accounts receivable	-	-	-	-
Interest receivable	-	-	125	-
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,495</b>	<b>\$ -</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interest payable	-	-	-	-
Due to other funds	-	2,089	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>-</b>	<b>2,089</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Unreserved:				
Undesignated	-	(2,089)	17,495	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>-</b>	<b>(2,089)</b>	<b>17,495</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,495</b>	<b>\$ -</b>

<u>Open Sp/Trails</u>	<u>USPEA Grant</u>	<u>Park &amp; Rec Grant</u>	<u>OTS-Grant 2006/2007</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 636,228
-	-	-	-	29,657
-	-	-	-	6,292
-	-	-	-	4,805
-	-	-	-	3,065
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,047</u>
\$ -	\$ 4,350	\$ -	\$ -	\$ 22,801
-	-	-	-	985
-	4,100	-	-	125,737
-	8,450	-	-	149,523
-	(8,450)	-	-	530,524
-	(8,450)	-	-	530,524
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,047</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, 2008**

	<u>AB 1600</u>	<u>Nevada Main Project</u>	<u>Gas Tax Streets</u>	<u>TDA Funds</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 49,153	\$ -	\$ 55,693	\$ -
Intergovernmental revenues	-	-	-	66,090
Use of money and property	11,554	-	3,414	2,398
Other revenues	-	-	-	-
<b>Total Revenues</b>	<u>60,707</u>	<u>-</u>	<u>59,107</u>	<u>68,488</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	6,469	2	2,069	-
Recreation and culture	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	30,999	525	30,672	15,613
<b>Total Expenditures</b>	<u>37,468</u>	<u>527</u>	<u>32,741</u>	<u>15,613</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>23,239</u>	<u>(527)</u>	<u>26,366</u>	<u>52,875</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	460,724	-	-	-
Transfers out	(68,421)	-	(322,592)	(79,521)
<b>Total Other Financing Sources (Uses)</b>	<u>392,303</u>	<u>-</u>	<u>(322,592)</u>	<u>(79,521)</u>
<b>Net Change in Fund Balances</b>	415,542	(527)	(296,226)	(26,646)
<b>Fund Balances - Beginning</b>	-	-	379,569	23,692
<b>Fund Balances - Ending</b>	<u>\$ 415,542</u>	<u>\$ (527)</u>	<u>\$ 83,343</u>	<u>\$ (2,954)</u>

<u>TDA Sidewalks</u>	<u>Prop 116</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ 7,253	\$ -	\$ 32,255	\$ 62,512
44,410	-	39,812	-	-	-	-	-
-	-	471	1,695	-	1,549	1,476	1,994
-	-	1,335	-	-	-	-	-
<u>44,410</u>	<u>-</u>	<u>41,618</u>	<u>1,695</u>	<u>7,253</u>	<u>1,549</u>	<u>33,731</u>	<u>64,506</u>
-	-	-	-	6,317	-	-	-
-	-	-	-	-	-	3,675	-
3,991	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,422	-
-	-	-	-	-	-	10,838	-
<u>147,196</u>	<u>-</u>	<u>48,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,227</u>	<u>-</u>
<u>151,187</u>	<u>-</u>	<u>48,209</u>	<u>-</u>	<u>6,317</u>	<u>-</u>	<u>62,162</u>	<u>-</u>
<u>(106,777)</u>	<u>-</u>	<u>(6,591)</u>	<u>1,695</u>	<u>936</u>	<u>1,549</u>	<u>(28,431)</u>	<u>64,506</u>
79,521	-	-	-	-	-	36,406	-
-	(5)	(51,703)	-	-	-	(45,471)	(66,136)
<u>79,521</u>	<u>(5)</u>	<u>(51,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,065)</u>	<u>(66,136)</u>
(27,256)	(5)	(58,294)	1,695	936	1,549	(37,496)	(1,630)
<u>(36,509)</u>	<u>5</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>\$ (63,765)</u>	<u>\$ -</u>	<u>\$ (14,423)</u>	<u>\$ 56,615</u>	<u>\$ (339)</u>	<u>\$ 51,706</u>	<u>\$ (3,588)</u>	<u>\$ 603</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, 2008**

	<u>Fire - Old Tx Cap</u>	<u>Transportation</u>	<u>NC Recreation</u>	<u>TEA Funds</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Use of money and property	1,098	-	-	-
Other revenues	-	-	-	-
<b>Total Revenues</b>	<u>1,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	-	-	-	-
Recreation and culture	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	125,805	-	-
Transfers out	(36,406)	-	(527)	(103,997)
<b>Total Other Financing Sources (Uses)</b>	<u>(36,406)</u>	<u>125,805</u>	<u>(527)</u>	<u>(103,997)</u>
<b>Net Change in Fund Balances</b>	<u>(35,308)</u>	<u>125,805</u>	<u>(527)</u>	<u>(103,997)</u>
<b>Fund Balances - Beginning</b>	<u>35,570</u>	<u>(125,805)</u>	<u>527</u>	<u>103,997</u>
<b>Fund Balances - Ending</b>	<u>\$ 262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Per Capita</u>	<u>CDBG Tourism</u>	<u>Clean Air/Parks</u>	<u>Safe Routes to School</u>	<u>Solar Project</u>	<u>Comcast Tech</u>	<u>Youth Center Grant</u>	<u>Recycle/Landfill</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	10,000	-
-	-	-	-	-	30	145	-
-	-	-	-	-	-	2,500	-
-	-	-	-	-	30	12,645	-
-	-	-	-	-	20	7,792	-
-	-	-	-	-	-	-	-
-	-	-	83	41	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,300	1,329	29,111	-	-
-	-	-	3,383	1,370	29,131	7,792	-
-	-	-	(3,383)	(1,370)	(29,101)	4,853	-
30,554	-	-	-	-	-	-	7,043
(31,374)	(1)	(45,572)	-	-	-	-	-
(820)	(1)	(45,572)	-	-	-	-	7,043
(820)	(1)	(45,572)	(3,383)	(1,370)	(29,101)	4,853	7,043
820	1	45,572	-	-	30,094	-	(7,043)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,383)</u>	<u>\$ (1,370)</u>	<u>\$ 993</u>	<u>\$ 4,853</u>	<u>\$ -</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, 2008**

	<u>Train Museum</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Wilson Bequest</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Use of money and property	-	-	524	-
Other revenues	253	3,509	-	-
<b>Total Revenues</b>	<u>253</u>	<u>3,509</u>	<u>524</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	-	6,923	-	-
Public protection	-	-	-	-
Public ways and facilities	-	-	-	-
Recreation and culture	397	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>397</u>	<u>6,923</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(144)</u>	<u>(3,414)</u>	<u>524</u>	<u>-</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	32,839	-	-	-
Transfers out	-	-	-	(27,069)
<b>Total Other Financing Sources (Uses)</b>	<u>32,839</u>	<u>-</u>	<u>-</u>	<u>(27,069)</u>
<b>Net Change in Fund Balances</b>	32,695	(3,414)	524	(27,069)
<b>Fund Balances - Beginning</b>	<u>(32,695)</u>	<u>1,325</u>	<u>16,971</u>	<u>27,069</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ (2,089)</u>	<u>\$ 17,495</u>	<u>\$ -</u>

<u>Open Sp/Trails</u>	<u>USPEA Grant</u>	<u>Park &amp; Rec Grnt</u>	<u>OTS-Grant 2006/2007</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 206,866
-	43,240	-	34,157	237,709
-	-	-	-	26,348
-	-	-	-	7,597
-	43,240	-	34,157	478,520
-	51,690	-	-	72,742
-	-	-	-	3,675
-	-	-	-	12,655
-	-	-	-	397
-	-	-	-	26,422
-	-	-	-	10,838
-	-	-	-	328,181
-	51,690	-	-	454,910
-	(8,450)	-	34,157	23,610
-	-	-	600	773,492
(59,225)	-	(3,644)	-	(941,664)
(59,225)	-	(3,644)	600	(168,172)
(59,225)	(8,450)	(3,644)	34,757	(144,562)
59,225	-	3,644	(34,757)	675,086
<u>\$ -</u>	<u>\$ (8,450)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,524</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, 2008**

	<b>Veteran's Building</b>	<b>Totals</b>
<b><u>ASSETS</u></b>		
Current Assets		
Accounts receivable (net of allowance)	\$ 616	\$ 616
Prepaid costs	127	127
	743	743
<b>Total Assets</b>		
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	5,160	5,160
Salaries and benefits payable	715	715
Interest payable	193	193
Deposits payable	390	390
Due to other funds	26,781	26,781
	33,239	33,239
<b>Total Liabilities</b>		
<b><u>NET ASSETS</u></b>		
Unrestricted	(32,496)	(32,496)
<b>Total Net Assets</b>	\$ (32,496)	\$ (32,496)

**CITY OF NEVADA CITY, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Veteran's Building</b>	<b>Totals</b>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 14,391	\$ 14,391
Other revenues	285	285
	14,676	14,676
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	16,754	16,754
Supplies	228	228
Power	3,575	3,575
Repairs and maintenance	1,562	1,562
Other expenses	8,925	8,925
	31,044	31,044
<b>Total Operating Revenues</b>	<b>14,676</b>	<b>14,676</b>
<b>Total Operating Expenses</b>	<b>31,044</b>	<b>31,044</b>
<b>Operating Income (Loss)</b>	<b>(16,368)</b>	<b>(16,368)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest expense	(806)	(806)
	(806)	(806)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(806)</b>	<b>(806)</b>
<b>Change in Net Assets</b>	<b>(17,174)</b>	<b>(17,174)</b>
<b>Total Net Assets - Beginning</b>	<b>(15,322)</b>	<b>(15,322)</b>
<b>Total Net Assets - Ending</b>	<b>\$ (32,496)</b>	<b>\$ (32,496)</b>

**CITY OF NEVADA CITY, CALIFORNIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Veteran's Building</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 14,669	\$ 14,669
Payments to suppliers	(9,257)	(9,257)
Payments to employees	(19,385)	(19,385)
	(13,973)	(13,973)
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Operating reimbursements and transfers to(from) other funds	15,133	15,133
	15,133	15,133
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Interest paid on debt	(1,160)	(1,160)
	(1,160)	(1,160)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(1,160)	(1,160)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	-
<b>Balances - Beginning of the Year</b>	-	-
<b>Balances - End of the Year</b>	\$ -	\$ -
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ (16,368)	\$ (16,368)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(397)	(397)
Prepaid costs	(127)	(127)
Increase (decrease) in:		
Accounts payable	5,160	5,160
Salaries and benefits payable	(2,631)	(2,631)
Deposits payable	390	390
	(13,973)	(13,973)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (13,973)	\$ (13,973)

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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, 2008**

	B.I.D	Total Agency Funds
<b><u>ASSETS</u></b>		
Cash and investments	\$ 25,529	\$ 25,529
<b>Total Assets</b>	\$ 25,529	\$ 25,529
<b><u>LIABILITIES</u></b>		
Due to agency recipients	\$ 17,000	\$ 17,000
Agency obligations	8,529	8,529
<b>Total Liabilities</b>	\$ 25,529	\$ 25,529

**CITY OF NEVADA CITY, CALIFORNIA  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Contributions	Withdrawals	Balance June 30, 2008
<b>B.I.D</b>				
<b><u>ASSETS</u></b>				
Cash and investments	\$ -	\$ 42,529	\$ 17,000	\$ 25,529
<b>Total Assets</b>	\$ -	\$ 42,529	\$ 17,000	\$ 25,529
<b><u>LIABILITIES</u></b>				
Due to agency recipients	\$ -	\$ 17,000	\$ -	\$ 17,000
Agency obligations	-	25,529	17,000	8,529
<b>Total Liabilities</b>	\$ -	\$ 42,529	\$ 17,000	\$ 25,529
<b>TOTAL AGENCY FUNDS</b>				
<b><u>ASSETS</u></b>				
Cash and investments	\$ -	\$ 42,529	\$ 17,000	\$ 25,529
<b>Total Assets</b>	\$ -	\$ 42,529	\$ 17,000	\$ 25,529
<b><u>LIABILITIES</u></b>				
Due to agency recipients	\$ -	\$ 17,000	\$ -	\$ 17,000
Agency obligations	-	25,529	17,000	8,529
<b>Total Liabilities</b>	\$ -	\$ 42,529	\$ 17,000	\$ 25,529