

**CITY OF NEVADA CITY,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

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**CITY OF NEVADA CITY
Annual Financial Report
For the Year Ended June 30, 2014**

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INTRODUCTORY SECTION

- **List of Officials**

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CITY OF NEVADA CITY
City Officials
For the Year Ended June 30, 2014

CITY COUNCIL

Sally Harris, Mayor

Terri Anderson, Vice Mayor

Robert Bergman

Duane Strawser

Jennifer Ray

CITY STAFF

David Brennan, City Manager

Niel Locke, City Clerk

David McKay, City Treasurer

Harold DeGraw, Consulting City Attorney

Sam Goodspeed, Fire Chief

Timothy Foley, Chief of Police

William J. Falconi, Consulting City Engineer

Verne Taylor, Director of Public Works

Catrina Olson, Assistant City Manager

Cindy Siegfried, City Planner

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FINANCIAL SECTION

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

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada City, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1P to the financial statements, in 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


Smith & Newell CPAs
Yuba City, California
January 16, 2015

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**Management's Discussion and Analysis
(Unaudited)**

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**CITY OF NEVADA CITY, CALIFORNIA
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2013/2014**

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 ending June 30, 2014. 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. There has been a slow recovery in the local economy, there has been a slight uptick in General fund revenues, and an increase in business activity revenue tied to rate structure changes. The voters of Nevada City approved a three-eighths percent general purpose tax, Measure "L", on the November 2012 ballot. The slight improvement in the financial and economic condition of the City, as well as the passing of Measure "L", has provided the ability for the City to look forward to continuing restoration of service levels.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2014:

Entity-wide:

- ❑ The City's assets at the end of the year increased to \$29,955,108 up \$1,270,817 from the previous fiscal year. Of this total, \$15,454,339 is governmental assets up \$1,036,674 from the previous fiscal year, and \$14,500,769 is business-type assets up \$234,143 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year decreased to \$5,362,775 down \$227,366 from the previous fiscal year. Of this total, \$617,039 is governmental liabilities up \$51,772 from the previous fiscal year, and \$4,745,736 is business-type liabilities down \$279,138 from the previous fiscal year.
- ❑ The net effect of the changes in assets and liabilities left the City's net position at \$24,592,333 up \$1,498,183 over the previous fiscal year. Of this total, \$14,837,300 is governmental, up \$984,902 from the previous fiscal year, and \$9,755,033 is business-type, up \$513,281 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$2,004,799 and general revenues and transfers of \$3,774,168 for total revenues of \$5,778,967. Governmental expenses were \$4,794,065.
- ❑ Business-type revenues include program revenues of \$2,222,542 and general revenues and transfers of \$41,593 for total revenues of \$2,264,135. Business-type expenses were \$1,750,854.

Fund level:

- ❑ Governmental fund balances at the end of the fiscal year were \$1,835,593, an increase of \$213,066 from the previous fiscal year.
- ❑ Governmental fund revenues were \$5,562,497 in 2014 compared to \$4,860,106 in 2013, a favorable increase of \$702,391.
- ❑ Governmental fund expenditures of \$5,332,550 increased \$478,384 from the previous fiscal year.

General fund:

- ❑ The General fund revenues of \$3,406,303 represent an increase of \$79,507 from the previous fiscal year.
- ❑ General fund expenditures of \$3,389,497 represent an increase of \$14,709 from the previous fiscal year.
- ❑ General fund other financing sources for the fiscal year totaled \$164,670 a decrease of \$78,679 from the previous fiscal year.
- ❑ At the end of the fiscal year, the General fund balance was \$776,864 representing an increase of \$181,476 from the previous fiscal year.

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 include all activities of the City of Nevada City using the integrated approach as prescribed by GASB Statement No. 34. These statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The State of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer term view of the City's finances. Fund financial statements tell how these services are financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. This report also contains required supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting method used by most private sector businesses. All of the current fiscal year's revenues and expenditures are taken into account regardless of when the cash is received.

The Statement of Net Position presents information on all of the City's assets and liabilities, with differences between the two reported as net position. Net position increases or decreases each year based on whether government-wide revenues exceeded the related expenditures (increase), or government-wide expenditures exceeded revenues (decrease). The change in net position 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 the material types of revenue and expenditure transactions that occurred during the fiscal year that created the increase (decrease) in net position. 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 only the City (known as the primary government). There are no component or blended component units that are part of the City's operations.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. The City also establishes other funds to control and manage money for particular purposes or to show that the City is meeting legal or contractual responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be classified 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. These reconciliations explain the relationship between the fund statements and government-wide statements.

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 outside 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 position and changes in the net position of the City as a whole. Tables 1 to 3 focus on the City's Governmental Statement of Net Position and Statement of Activities and Tables 3 to 6 focuses on the City's Business-Type Statement of Net Position and Statement of Activities.

Governmental Activities:

Table 1
Governmental Net Position at June 30, 2014

	<u>2014</u>	<u>2013</u>
Cash and investments	\$1,715,967	\$1,238,806
Other assets	938,965	842,292
Capital assets	12,799,407	12,336,567
Total Assets	\$15,454,339	\$14,417,665
Current liabilities	554,678	439,874
Long term debt	62,361	125,393
Total Liabilities	\$617,039	\$565,267
Net Position:		
Net Investment in Capital assets	\$12,720,899	\$12,204,246
Restricted	1,800,647	1,369,688
Unrestricted	315,754	278,464
Total Net Position	\$14,837,300	\$13,852,398

The City's governmental net position was \$14,837,300 as of June 30, 2014, an increase of \$984,902 over the prior fiscal year. This increase is the change in net position shown in Table 1. The City's governmental net position as of June 30, 2014 was comprised of the net of the following:

- Cash of \$1,715,967 held in four Certificates of Deposit, State of California's Local Agency Investment Fund, and the City's money market savings and general checking accounts.
- Receivables of \$800,298 comprised of accrued revenues and amounts due from other funds.
- Prepaid costs of \$138,667.
- Capital assets net of depreciation charges of \$12,799,407. This includes all of the City's infrastructure as well as other capital assets used in government activities. See Notes 1 and 4 for additional information on capital assets.
- Current liabilities including accounts payable, accrued expenses, and amounts due to other funds totaling \$404,081.
- Long term debt of \$212,958, of which \$62,361 matures in future years and \$150,597 is due within one year. Notes 7 through 9 provide additional detail on the City's liabilities and long term debt.

Note 4 provides more information on the changes in the City's capital assets during the year.

Table 2
Changes in Governmental Net Position June 30, 2014

	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$827,433	\$782,848
Grants and contributions	1,177,366	694,467
General Revenues:		
Property taxes	1,504,565	1,471,896
Other taxes	2,066,139	1,684,522
Interest and Investment Earnings	90,616	90,514
Other general revenues	112,848	217,683
Total Revenues	\$5,778,967	\$4,941,930
Program Expenses:		
General government	\$1,597,350	\$1,153,687
Public Safety	2,065,582	2,026,134
Public works	809,146	737,785
Parks and Recreation	313,835	279,954
Interest on Long-term debt	8,152	8,880
Total expenses	\$4,794,065	\$4,206,440
Change in Net Position	\$984,902	\$735,490

Overall total governmental revenues increased a considerable 16.9% from the prior fiscal year. Other taxes includes sales and use tax, franchise tax, and transient occupancy tax. Sales and use tax increased 29.3% from the previous fiscal year with Measure “S” collections being \$558,777, Measure “L” collections being \$425,197, and sales tax being \$702,293. The combined franchise tax and transient occupancy tax was flat as compared to 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 2013/2014 assessed property valuations increased 5% over the fiscal year 2012/2013 assessed valuations. The City’s interest earnings were flat as compared to the prior fiscal year. There was a 22.7% increase in other taxes primarily associated to a full year of Measure “L” sales tax collections during the 2013/2014 fiscal year as compared to one quarter of Measure “L” sales tax collections during the 2012/2013 fiscal year.

Table 2 shows that 34.7% of the City’s governmental revenues were derived from fees for City services and grants, primarily grants and contributions of \$1,177,366, which provided an increase of 69.5% or \$482,899 from the previous fiscal. As a part of 34.7% gain, charges for services increased 5.7% or \$44,585 from the previous fiscal year, with the largest increases being associated to general government and recreation and culture.

Total governmental expenses increased 14% from the previous fiscal year. The overall increase in program expense of \$587,625 is tied to a significant increase in operational and capital expenditure activity associated to general government grants and the Measure “L” tax. The increase of 14% is the net of a 38.5% increase in general government operational expenditures, an increase of 2% in public safety operational expenditures, a 9.7% increase in public works operational expenditures, and a 12.1% increase in parks and recreation operational expenditures as compared to the previous fiscal year. The City has received funds advanced against the City’s property taxes, from fiscal year 2008/2009 through current fiscal year 2013/2014, from the Nevada County Treasurer. The City used \$626,781 of the original advance to payoff Nevada City’s CalPERS side fund debt at a reduced interest rate, based on the Nevada County pooled investment rate, which has averaged .90% from fiscal year 2008/2009 – 2013/2014 versus the 7.75% that was being charged by CalPERS. The savings in interest has been used to offset the continued rising costs for the CalPERS benefit expense for fiscal years 2009/2010 through 2013/2014, as

well as assisting in offsetting the annual increases in employee health benefits. In the fiscal year 2008/2009 the City implemented a one day per month furlough Citywide to assist in reducing operational cost, with the slight uptick in the economic condition of the City, employees were returned to full service 2012/2013.

Overall governmental change in net position increased 34% from the previous fiscal year.

Business-Type Activities:

**Table 3
Business-Type Net Position at June 30, 2014**

	<u>2014</u>	<u>2013</u>
Cash and investments	\$1,874,370	\$1,527,528
Other assets	1,077,736	757,617
Capital assets	11,548,663	11,981,481
Total Assets	\$14,500,769	\$14,266,626
Current liabilities	\$368,567	\$440,196
Long term debt	4,377,169	4,584,678
Total Liabilities	\$4,745,736	\$5,024,874
Net Assets:		
Net Investment in Capital Assets	\$6,971,432	\$7,201,129
Restricted	301,555	277,955
Unrestricted	2,482,046	1,762,668
Total Net Position	\$9,755,033	\$9,241,752

The City's business-type enterprises consist of water and wastewater services. Total net position increased 5.6%, primarily being driven by an increase in cash and investments as well as decrease in the long term debt in the wastewater and water treatment plants associated to scheduled principal payments on the loans payable and certificates of participation for the water and wastewater treatment plants.

**Table 4
Changes in Business-Type Net Position June 30, 2014**

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Water	\$840,676	\$856,807
Wastewater	1,381,866	1,573,716
Other Enterprise Funds	0	14,338
General Revenues and transfers	41,593	(90,710)
Total Revenues	\$2,264,135	\$2,354,151
Expenses:		
Water	\$561,302	\$518,759
Wastewater	1,189,552	1,250,593
Other Enterprise Funds	0	39,175
Total Expenses	\$1,750,854	\$1,808,527
Change in Net Position	\$513,281	\$545,624

The City's business-type revenue decreased by 3.8%. Of the 3.8% decline, water revenue collection decreased 2%, associated to community water conservation efforts during the ongoing drought conditions. There was a 12.2% decrease in wastewater revenue collection from the previous fiscal year associated to a significant reduction in program income revenues that the City sometimes collects for treating surface water runoff from the County landfill. This isn't a fixed revenue source and varies from fiscal year to fiscal year.

There was an overall decrease of 3.2% in total business-type activity expense. Water operational expenditures increased 8.2% associated to the heightened need to purchase raw water from the Nevada Irrigation District due to the ongoing drought. There was a decrease of 5% in operational expenses in the wastewater operations for the fiscal year 2013/2014. The decrease in expenses in the wastewater department are associated to a reduction in operational costs for services being provided. In prior fiscal years the City reported revenue and expenses in other enterprise funds associated to the operations of the Veterans Building. Beginning fiscal year 2013/2014 the City reallocated those revenues and expenses to the General Fund.

Table 5
Changes in Business-Type Net Position June 30, 2014
Net (Expense) Revenues from Services

	<u>2014</u>	<u>2013</u>
Water Services	\$248,287	\$308,450
Wastewater Services	\$132,646	\$263,203
Other Enterprise Funds	\$132,348	\$(26,029)
Totals	\$513,281	\$545,624

There was an overall decrease of 6% in the net position for business-type activities for fiscal year 2013/2014. There was a reduction in revenue collections with an increase in operational expenditures for City water services being provided. The water services change in net position prior to transfers for the fiscal year 2013/2014 was \$307,373 versus the water services change in net position for the fiscal year 2012/2013 of \$357,736. There was a reduction in revenue collections and a decrease in operational expenditures for City wastewater services being provided. The wastewater services change in net position prior to transfers for the fiscal year 2013/2014 was \$371,727 versus the wastewater services change in net position for the fiscal year 2012/2013 of \$329,384. Operational revenues and expenses, as well as beginning net position for the Veteran's Building, previously reported as other enterprise funds, were reallocated to the General fund.

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 wastewater 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, 2014
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$1,630,332	\$0	\$1,630,332
Structures & Improvements	14,067,147	18,270,403	32,337,550
Vehicles, machinery, equipment and software	2,263,564	2,675,222	4,938,786
Construction in Progress	828,864	14,666	843,530
Less accumulated depreciation	(5,990,500)	(9,411,628)	(15,402,128)
Totals	\$12,799,407	\$11,548,663	\$24,348,070

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 asset's 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 changes in capital assets in governmental activities for the fiscal year 2013/2014 were in the governmental activities land improvements and infrastructure. The City continued to work in many areas during the fiscal year 2013/2014 such as the Gold Flat Road and Zion Street Interchange and East Broad Street. The City also was near completion on two large projects, the Nevada City Highway between Banner Mountain and Ridge Road, and Adams and Long Streets (Nimrod and Sacramento Streets) all funded by Congestion Mitigation and Air Quality funds (CMAQ), as well as the continued work on the Nevada Street Bridge Project funded by the Highway Bridge Grant. There was a decrease in capital assets for business-type activities from the previous fiscal year associated to an increase in accumulated depreciation of capital projects in the category of structures and improvements. See Note 4 of the financials for additional detail on changes in capital assets during the year.

Debt Administration

At year-end, the City had \$4,818,137 in long term debt outstanding compared to \$5,092,017 at 06/30/13. The City had a decrease in debt of \$273,880. The decrease is associated to principal payments to the United States Department of Agriculture (USDA) for Certificates of Participation Series 2005 and 2007 for the Wastewater Treatment Plant upgrade that began fiscal year 2004/2005. The City also refinanced USDA Sewer bonds series A and B and USDA Sewer fund promissory note in fiscal year 2007/2008, totaling \$1,016,542 for a reduced interest rate of 4.1% and made scheduled principal payments on the loan during fiscal year 2013/2014. The City also issued a transfer of funds from Nevada County for .53%, leveraging anticipated property tax. This funds transfer was used for cash flow purposes for the fiscal year 2013/2014. The original Tax Revenue Anticipation Note (TRAN) taken from Nevada County in 2008/2009 was used to fund the payoff of the CalPERS side fund for \$626,781 that had an interest rate of 7.75%, the purchase of the DPW Vactron, 500 new water meter replacements, and the Solar project installation at City Hall, Corp Yard, and the Swimming Pool. The funds transfer was for \$500,000 for fiscal year 2013/2014 and was repaid in two installments. The 1st installment of \$250,000 was repaid from the January 2014 Nevada City property tax payment, and the 2nd installment of \$250,000 was repaid from the May 2014 Nevada City property tax payment.

**Table 7
Outstanding Debt at June 30, 2014**

	Government Activities	Business Activities	Total
Loans Payable	\$0	\$916,231	\$916,231
Certificates of Participation	-	3,661,000	3,661,000
Capital Leases	78,508	-	78,508
Compensated absences payable	134,450	27,948	162,398
Totals	\$212,958	\$4,605,179	\$4,818,137

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget developed for fiscal year 2014/2015 was adopted by the City Council on June 25, 2014. The General fund budget approved by the City Council anticipates \$4.08 million in revenues and \$4.02 million in expenditures, with approximately \$59,612 being added to General fund reserves. The City will continue to closely monitor economic activity along with actions taken by regional and state governments that may impact the City's budget.

Revenue collections for sales tax, property tax, and remaining General fund revenues were projected to decrease 2.3% compared to the 2013/2014 year end adjusted budget. The City projected a decline in sales tax and transient occupancy taxes associated to the loss of a large sales tax provider, and reductions from lodging providers. The fiscal year 2014/2015 General fund budget anticipates increased expenditures of 2.3% as compared to the 2013/2014 year end adjusted budget. The City's anticipated increases are primarily associated to increases in the cost of salaries and benefits as outlined in Memorandums of Understanding (MOU's) beginning July 1, 2014 - June 30, 2016. In speculation of increasing health and pension costs, the City implemented employee cost sharing into the MOU's. With the slow economic recovery over the last two fiscal years the City has experienced less restrictive cash flows, however \$400,000 was budgeted for a transfer of funds debt issuance in anticipation of cash flow needs for several very large projects during fiscal year 2014/2015 the City is funding within the Consumnes, American, Bear and Yuba Rivers (CABY) grant for the City of Nevada City and the Town of Washington. The transfer of funds was issued in anticipation of the distribution and receipt, by the City of Nevada City, property tax revenues and isn't to exceed 85% of the anticipated tax revenues for the fiscal year.

Revenue collections for the special taxes Measure "S" and Measure "L" will be significant contributors in assisting the City to maintain streets and roads, as well as provide funding for infrastructure and building

maintenance and improvements that were deferred during the economic decline.

The General fund has maintained a slow but improving economic financial position over the last three fiscal years, however given the projected slight reduction in revenues with changes in sales tax and transient occupancy providers, and the minor increase in expenditures associated to salaries and benefits projected in the 2014/2015 budget, the General fund has the potential to experience possible financial erosion. Current external economic indicators have demonstrated that the General fund is vulnerable to a financial decline moving forward this fiscal year. It is crucial that City staff monitor incoming revenues and prioritize and review program expenditures to support preserving and improving the current financial status.

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.

Basic Financial Statements

- **Government-Wide Financial Statements**

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CITY OF NEVADA CITY
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,715,967	\$ 1,874,370	\$ 3,590,337
Receivables:			
Accounts	135,568	371,526	507,094
Interest	1,359	2,747	4,106
Taxes	354,703	-	354,703
Intergovernmental	978,643	-	978,643
Internal balances	(669,975)	669,975	-
Prepaid costs	7,143	6,203	13,346
Prepaid insurance	131,524	27,285	158,809
Capital assets:			
Non depreciable assets	2,459,196	14,666	2,473,862
Depreciable assets, net of depreciation	10,340,211	11,533,997	21,874,208
Total capital assets	<u>12,799,407</u>	<u>11,548,663</u>	<u>24,348,070</u>
Total Assets	<u>15,454,339</u>	<u>14,500,769</u>	<u>29,955,108</u>
LIABILITIES			
Accounts payable	249,892	45,838	295,730
Salaries and benefits payable	91,610	9,439	101,049
Interest payable	419	85,280	85,699
Unearned revenue	62,160	-	62,160
Long-term liabilities:			
Due within one year	150,597	228,010	378,607
Due in more than one year	62,361	4,377,169	4,439,530
Total Liabilities	<u>617,039</u>	<u>4,745,736</u>	<u>5,362,775</u>
NET POSITION			
Net investment in capital assets	12,720,899	6,971,432	19,692,331
Restricted for:			
General government	659,139	-	659,139
Public protection	230,943	-	230,943
Public ways and facilities	793,455	-	793,455
Recreation and culture	117,110	-	117,110
Capital projects	-	8,982	8,982
Debt service	-	292,573	292,573
Unrestricted	315,754	2,482,046	2,797,800
Total Net Position	<u>\$ 14,837,300</u>	<u>\$ 9,755,033</u>	<u>\$ 24,592,333</u>

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

CITY OF NEVADA CITY
Statement of Activities
For the Year Ended June 30, 2014

<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	\$ 1,597,350	\$ 100,025	\$ 252,814	\$ 283,103
Public protection	2,065,582	130,719	15,722	-
Public ways and facilities	809,146	370,985	154,123	471,604
Recreation and culture	313,835	225,704	-	-
Interest on long-term debt	8,152	-	-	-
Total Governmental Activities	4,794,065	827,433	422,659	754,707
Business-Type activities:				
Water	561,302	840,676	-	-
Sewer	1,189,552	1,381,866	-	-
Total Business-Type Activities	1,750,854	2,222,542	-	-
Total	\$ 6,544,919	\$ 3,049,975	\$ 422,659	\$ 754,707

General revenues:

Taxes:

 Property taxes

 Property transfer tax

 Sales and use taxes

 Franchise taxes

 Transient occupancy taxes

Grants and contributions unrestricted

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Governmental Activities	Business-Type Activities	Total
\$ (961,408)	\$ -	\$ (961,408)
(1,919,141)	-	(1,919,141)
187,566	-	187,566
(88,131)	-	(88,131)
(8,152)	-	(8,152)
<u>(2,789,266)</u>	<u>-</u>	<u>(2,789,266)</u>
-	279,374	279,374
-	192,314	192,314
<u>-</u>	<u>471,688</u>	<u>471,688</u>
<u>(2,789,266)</u>	<u>471,688</u>	<u>(2,317,578)</u>
1,488,075	-	1,488,075
16,490	-	16,490
1,686,200	-	1,686,200
130,419	-	130,419
249,520	-	249,520
1,324	-	1,324
90,616	6,132	96,748
128,405	18,580	146,985
(16,881)	16,881	-
<u>3,774,168</u>	<u>41,593</u>	<u>3,815,761</u>
984,902	513,281	1,498,183
<u>13,852,398</u>	<u>9,241,752</u>	<u>23,094,150</u>
<u>\$ 14,837,300</u>	<u>\$ 9,755,033</u>	<u>\$ 24,592,333</u>

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Basic Financial Statements

- **Fund Financial Statements**

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CITY OF NEVADA CITY
Balance Sheet
Governmental Funds
June 30, 2014

	General	Measure "S"	Measure "L"
ASSETS			
Cash and investments	\$ 561,022	\$ 476,584	\$ 200,016
Receivables:			
Accounts	102,321	2,500	-
Interest	80	427	291
Taxes	236,624	94,700	-
Intergovernmental	36,038	-	67,900
Prepaid costs	7,143	-	-
Prepaid insurance	130,131	1,393	-
	\$ 1,073,359	\$ 575,604	\$ 268,207
LIABILITIES			
Accounts payable	\$ 76,211	\$ 4,250	\$ 417
Salaries and benefits payable	90,043	1,138	-
Interest payable	-	-	-
Unearned revenue	62,160	-	-
Due to other funds	-	-	-
	228,414	5,388	417
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	68,081	-	-
	68,081	-	-
FUND BALANCES			
Nonspendable	137,274	1,393	-
Restricted	253,669	568,823	267,790
Committed	184,881	-	-
Assigned	32,005	-	-
Unassigned	169,035	-	-
	776,864	570,216	267,790
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,073,359	\$ 575,604	\$ 268,207

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 478,345	\$ 1,715,967
30,747	135,568
561	1,359
23,379	354,703
874,705	978,643
-	7,143
-	131,524
<u>\$ 1,407,737</u>	<u>\$ 3,324,907</u>
\$ 169,014	\$ 249,892
429	91,610
419	419
-	62,160
669,975	669,975
<u>839,837</u>	<u>1,074,056</u>
<u>347,177</u>	<u>415,258</u>
<u>347,177</u>	<u>415,258</u>
-	138,667
359,319	1,449,601
23,192	208,073
157,182	189,187
(318,970)	(149,935)
<u>220,723</u>	<u>1,835,593</u>
<u>\$ 1,407,737</u>	<u>\$ 3,324,907</u>

CITY OF NEVADA CITY
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2014

Total Fund Balance - Total Governmental Funds	\$ 1,835,593
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	12,799,407
Unavailable revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	415,258
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital leases payable	(78,508)
Compensated absences payable	<u>(134,450)</u>
Net Position of Governmental Activities	<u>\$ 14,837,300</u>

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

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CITY OF NEVADA CITY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Measure "S"</u>	<u>Measure "L"</u>
REVENUES			
Taxes and assessments	\$ 2,543,593	\$ 558,777	\$ 425,130
Licenses and permits	215,387	-	-
Fines and forfeitures	143,513	-	-
Intergovernmental revenues	59,401	41,000	-
Use of money and property	88,399	772	579
Charges for services	265,560	-	-
Other revenues	90,450	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	3,406,303	600,549	425,709
EXPENDITURES			
Current:			
General government	997,038	-	60,959
Public protection	1,734,240	-	-
Public ways and facilities	319,972	51,680	-
Recreation and culture	266,459	-	-
Debt service:			
Principal	53,813	-	-
Interest and other charges	8,152	-	-
Capital outlay	9,823	510,068	99,991
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,389,497	561,748	160,950
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>
	16,806	38,801	264,759
OTHER FINANCING SOURCES (USES)			
Transfers in	298,016	82,818	-
Transfers out	(133,346)	(18,482)	(82,500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	164,670	64,336	(82,500)
Net Change in Fund Balances	<hr/>	<hr/>	<hr/>
	181,476	103,137	182,259
Fund Balances - Beginning	<hr/>	<hr/>	<hr/>
	595,388	467,079	85,531
Fund Balances - Ending	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 776,864	\$ 570,216	\$ 267,790

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 441,343	\$ 3,968,843
-	215,387
-	143,513
649,772	750,173
866	90,616
-	265,560
37,955	128,405
<u>1,129,936</u>	<u>5,562,497</u>
490,965	1,548,962
200,821	1,935,061
55,142	426,794
17,824	284,283
-	53,813
-	8,152
455,603	1,075,485
<u>1,220,355</u>	<u>5,332,550</u>
<u>(90,419)</u>	<u>229,947</u>
37,634	418,468
(201,021)	(435,349)
<u>(163,387)</u>	<u>(16,881)</u>
(253,806)	213,066
474,529	1,622,527
<u>\$ 220,723</u>	<u>\$ 1,835,593</u>

CITY OF NEVADA CITY
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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 213,066
 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	1,075,485
Less current year depreciation	(612,645)
 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	53,813
 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 revenues in the governmental funds.	
Change in unavailable revenue	233,351
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	21,832
Change in Net Position of Governmental Activities	\$ 984,902

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

CITY OF NEVADA CITY
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
ASSETS				
Current Assets:				
Cash and investments	\$ 8,973	\$ 1,865,397	\$ -	\$ 1,874,370
Receivables:				
Accounts	137,746	233,780	-	371,526
Interest	9	2,738	-	2,747
Due from other funds	-	760,060	-	760,060
Prepaid costs	2,468	3,735	-	6,203
Prepaid insurance	9,614	17,671	-	27,285
Total Current Assets	158,810	2,883,381	-	3,042,191
Noncurrent Assets:				
Non depreciable assets	14,666	-	-	14,666
Depreciable assets, net of accumulated depreciation	1,843,293	9,690,704	-	11,533,997
Total Noncurrent Assets	1,857,959	9,690,704	-	11,548,663
Total Assets	2,016,769	12,574,085	-	14,590,854
LIABILITIES				
Current Liabilities:				
Accounts payable	24,194	21,644	-	45,838
Salaries and benefits payable	3,225	6,214	-	9,439
Interest payable	3,362	81,918	-	85,280
Due to other funds	90,085	-	-	90,085
Compensated absences	5,903	13,660	-	19,563
Certificates of participation	-	55,000	-	55,000
Loans payable	91,011	62,436	-	153,447
Total Current Liabilities	217,780	240,872	-	458,652
Noncurrent Liabilities:				
Compensated absences	2,530	5,855	-	8,385
Certificates of participation	-	3,606,000	-	3,606,000
Loans payable	143,615	619,169	-	762,784
Total Noncurrent Liabilities	146,145	4,231,024	-	4,377,169
Total Liabilities	363,925	4,471,896	-	4,835,821
NET POSITION				
Net investment in capital assets	1,623,333	5,348,099	-	6,971,432
Restricted for capital projects	8,982	-	-	8,982
Restricted for debt service	50,000	242,573	-	292,573
Unrestricted	(29,471)	2,511,517	-	2,482,046
Total Net Position	\$ 1,652,844	\$ 8,102,189	\$ -	\$ 9,755,033

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

CITY OF NEVADA CITY
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
OPERATING REVENUES				
Charges for services	\$ 837,865	\$ 1,379,616	\$ -	\$ 2,217,481
Other revenues	18,524	56	-	18,580
Total Operating Revenues	<u>856,389</u>	<u>1,379,672</u>	<u>-</u>	<u>2,236,061</u>
OPERATING EXPENSES				
Salaries and benefits	165,342	300,087	-	465,429
Supplies	52,474	11,911	-	64,385
Power	94,723	74,061	-	168,784
Repairs and maintenance	37,172	40,861	-	78,033
Professional services	17,627	32,903	-	50,530
Insurance	13,829	17,375	-	31,204
Depreciation	127,202	407,215	-	534,417
Other expenses	40,647	123,532	-	164,179
Total Operating Expenses	<u>549,016</u>	<u>1,007,945</u>	<u>-</u>	<u>1,556,961</u>
Operating Income (Loss)	<u>307,373</u>	<u>371,727</u>	<u>-</u>	<u>679,100</u>
NON-OPERATING REVENUES (EXPENSES)				
Mitigation fees	2,811	2,250	-	5,061
Interest income	(325)	6,457	-	6,132
Interest expense	(12,286)	(181,607)	-	(193,893)
Total Non-Operating Revenues (Expenses)	<u>(9,800)</u>	<u>(172,900)</u>	<u>-</u>	<u>(182,700)</u>
Income (loss) Before Transfers	<u>297,573</u>	<u>198,827</u>	<u>-</u>	<u>496,400</u>
Transfers in	-	-	132,348	132,348
Transfers out	(49,286)	(66,181)	-	(115,467)
Change in Net Position	<u>248,287</u>	<u>132,646</u>	<u>132,348</u>	<u>513,281</u>
Total Net Position - Beginning	<u>1,404,557</u>	<u>7,969,543</u>	<u>(132,348)</u>	<u>9,241,752</u>
Total Net Position - Ending	<u>\$ 1,652,844</u>	<u>\$ 8,102,189</u>	<u>\$ -</u>	<u>\$ 9,755,033</u>

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

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 874,143	\$ 1,417,100	\$ 1,116	\$ 2,292,359
Payments to suppliers	(312,320)	(353,192)	(3,117)	(668,629)
Payments to employees	(160,765)	(297,401)	(392)	(458,558)
Net Cash Provided (Used) by Operating Activities	<u>401,058</u>	<u>766,507</u>	<u>(2,393)</u>	<u>1,165,172</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Mitigation fees	2,811	2,250	-	5,061
Transfers to other funds	(49,286)	(66,181)	132,348	16,881
Interfund loans received	90,085	-	-	90,085
Interfund loans repaid	(314,839)	9,815	(129,842)	(434,866)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(271,229)</u>	<u>(54,116)</u>	<u>2,506</u>	<u>(322,839)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(26,805)	(74,794)	-	(101,599)
Principal paid on debt	(87,400)	(115,721)	-	(203,121)
Interest paid on debt	(12,286)	(183,580)	(113)	(195,979)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(126,491)</u>	<u>(374,095)</u>	<u>(113)</u>	<u>(500,699)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	(514)	5,722	-	5,208
Net Cash Provided (Used) by Investing Activities	<u>(514)</u>	<u>5,722</u>	<u>-</u>	<u>5,208</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,824	344,018	-	346,842
Balances - Beginning	<u>6,149</u>	<u>1,521,379</u>	<u>-</u>	<u>1,527,528</u>
Balances - Ending	<u>\$ 8,973</u>	<u>\$ 1,865,397</u>	<u>\$ -</u>	<u>\$ 1,874,370</u>

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

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 307,373	\$ 371,727	\$ -	\$ 679,100
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	127,202	407,215	-	534,417
Decrease (increase) in:				
Accounts receivable	17,754	37,428	1,116	56,298
Prepaid costs	(11,397)	(19,635)	139	(30,893)
Increase (decrease) in:				
Accounts payable	(44,451)	(32,914)	(3,256)	(80,621)
Salaries and benefits payable	1,180	1,197	(392)	1,985
Deposits payable	-	1,489	-	1,489
Compensated absences	3,397	-	-	3,397
Net Cash Provided (Used) by Operating Activities	<u>\$ 401,058</u>	<u>\$ 766,507</u>	<u>\$ (2,393)</u>	<u>\$ 1,165,172</u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of City of Nevada City (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

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.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

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

Joint Agencies

The City is a participant in Public Agency Risk Sharing Authority of California (PARSAC), which 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. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The City is a participant in the Nevada County Service Authority for the Abatement of Abandoned Vehicles program, which 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 not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Agencies (Continued)

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 not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

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. 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. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the City. 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, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as nonmajor funds.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: 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 Measure “S” fund is a special revenue fund used to account for revenue and expenditures related to Measure “S”.
- The Measure “L” fund is a special revenue fund used to account for revenue and expenditures related to Measure “L”.

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.

C. Basis of Accounting and Measurement Focus

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the 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. General 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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash, Cash Equivalents, and Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest 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.

For purposes of the accompanying Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less and amounts held in the City's investment pool, to be cash and cash equivalents.

F. Receivables

Receivables for governmental activities consist mainly of accounts, interest, taxes and intergovernmental. Management believes these receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

Receivables in enterprise funds consist mainly of user fees and interest. Management believes these receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Other Assets

Inventory

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

Prepaid Costs

Payments made for services that will benefit periods beyond June 30, 2014, are recorded as prepaid costs under both the accrual and modified accrual basis of accounting. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

H. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer and similar items) are defined by the City as assets with a cost greater than \$5,000 for equipment and structures and improvements, and \$20,000 for infrastructure and an estimated useful life of more than one year. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is unavailable. Contributed capital assets are valued at their estimated fair market value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-10 years
Structures and improvements	20-40 years
Infrastructure	20-40 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. 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.

Property taxes are levied on a fiscal year (July 1 - June 30). The secured property tax assessments are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. The unsecured property tax assessments are due on August 1, and become delinquent after August 31. Property taxes become a lien on the property effective January 1 of the preceding year.

The City recognizes property taxes when the individual installments are due provided they are collected within 30 days after year-end.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 unearned revenue.

K. 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 nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

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

L. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

M. Compensated Absences and Postemployment Benefits

It is the City’s policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from City service. Compensated absences liability is typically liquidated by the General fund for all non proprietary fund compensated absences. In the government-wide and proprietary fund financial statements, the accrued compensated absences is reported as an expense and related liability. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

The City does not currently provide any postemployment healthcare or other nonpension benefits.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the City did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. 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.

P. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statement has been implemented, if applicable to the City of Nevada City, in the current financial statements.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

The following non-major governmental funds had deficit fund balances at June 30, 2014:

The Nevada Main Project special revenue fund had a fund balance deficit of \$6,504, which is expected to be eliminated in the future through increased revenues.

The TDA Funds special revenue fund had a fund balance deficit of \$600, which is expected to be eliminated in the future through increased revenues.

The CMAQ ST & RD special revenue fund had a fund balance deficit of \$45,326, which is expected to be eliminated in the future through increased revenues.

The UST Project special revenue fund had a fund balance deficit of \$22,272, which is expected to be eliminated in the future through increased revenues.

The Brownsfield 10 special revenue fund had a fund balance deficit of \$38,691, which is expected to be eliminated in the future through increased revenues.

The CDBG Enterprise special revenue fund had a fund balance deficit of \$36,075, which is expected to be eliminated in the future through increased revenues.

The CABY Nevada City special revenue fund had a fund balance deficit of \$96,243, which is expected to be eliminated in the future through increased revenues.

The CABY Misc Agency special revenue fund had a fund balance deficit of \$73,259, which is expected to be eliminated in the future through increased revenues.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2014, the City's cash and investments are reported in the financial statements as follows:

Governmental activities	\$ 1,715,967
Business-Type activities	<u>1,874,370</u>
Total Cash and Investments	<u><u>\$ 3,590,337</u></u>

As of June 30, 2014, the City's cash and investments consisted of the following:

Cash:

Cash on hand	\$ 575
Deposits (less outstanding checks)	<u>771,403</u>
Total Cash	<u><u>771,978</u></u>

Investments:

Certificates of Deposit	992,000
Local Agency Investment Fund	<u>1,826,359</u>
Total Investments	<u><u>2,818,359</u></u>
Total Cash and Investments	<u><u>\$ 3,590,337</u></u>

B. Cash

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$771,403 and the bank balance was \$895,211. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the City had cash on hand of \$575.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

C. Investments

Pursuant to Section 53646 of the Government Code, the City prepares an investment policy annually and presents it to the City Council for review and approval.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law. Under the provisions of the City's investment policy the City may invest or deposit in the following:

- United States Treasury Bills, Bonds and Notes
- Local Agency Investment Fund (LAIF)
- Certificates of Deposit
- Securities of the US. Government or its Agencies

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. To limit exposure to fair value losses resulting from increases in interest rates, the City's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the City to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the City Council.

As of June 30, 2014, the City had the following investments all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Certificates of Deposit	0.45-0.85%	\$ 248,000	\$ 744,000	\$ 992,000	1.82
Local Agency Investment Fund (LAIF)	Variable	<u>1,826,359</u>	-	<u>1,826,359</u>	-
Total Investments		<u>\$ 2,074,359</u>	<u>\$ 744,000</u>	<u>\$ 2,818,359</u>	<u>0.64</u>

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by the City's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
Certificates of Deposit	N/A	Unrated	Unrated	35.20%
LAIF	N/A	Unrated	Unrated	<u>64.80%</u>
Total				<u>100.00%</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Custodial Credit Risk for Investments- Custodial credit risk for investments 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. To mitigate the custodial credit risk the City's investment policy requires that all of its managed investments be held in the name of the City in safekeeping by a third party bank trust department. Custodial credit risk does not apply to local government's indirect investments in securities through the use of mutual funds or government investment pools.

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. The City's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) at June 30, 2014, that represent 5 percent or more of total City investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Certificates of Deposit	\$ 992,000	35.20%

D. Investment in External Investment Pools

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 and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State statute. Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the City's position in the pool is the same as the value of the pooled shares. At June 30, 2014 the City's investment position in LAIF was \$1,826,359. The total amount invested by all public agencies in LAIF on that day was \$64,846,169,129. Of that amount, 98.14% is invested in non-derivative financial products and 1.86% in structured notes and asset-backed securities.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

Governmental Activities

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	Balance <u>June 30, 2014</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 1,630,332	\$ -	\$ -	\$ -	\$ 1,630,332
Construction in progress	<u>385,366</u>	<u>473,793</u>	<u>-</u>	<u>(30,295)</u>	<u>828,864</u>
Total Capital Assets, Not Being Depreciated	<u>2,015,698</u>	<u>473,793</u>	<u>-</u>	<u>(30,295)</u>	<u>2,459,196</u>
Capital Assets, Being Depreciated:					
Land improvements/infrastructure	9,132,716	575,357	-	30,295	9,738,368
Building and improvements	4,328,779	-	-	-	4,328,779
Equipment	754,278	26,335	(2,685)	(30,915)	747,013
Software	42,041	-	-	-	42,041
Vehicles	<u>1,443,595</u>	<u>-</u>	<u>-</u>	<u>30,915</u>	<u>1,474,510</u>
Total Capital Assets, Being Depreciated	<u>15,701,409</u>	<u>601,692</u>	<u>(2,685)</u>	<u>30,295</u>	<u>16,330,711</u>
Less Accumulated Depreciation for:					
Land improvements	(2,678,611)	(336,428)	-	-	(3,015,039)
Buildings and improvements	(1,373,070)	(111,656)	-	-	(1,484,726)
Equipment	(604,134)	(39,348)	2,685	12,773	(628,024)
Software	(42,041)	-	-	-	(42,041)
Vehicles	<u>(682,684)</u>	<u>(125,213)</u>	<u>-</u>	<u>(12,773)</u>	<u>(820,670)</u>
Total Accumulated Depreciation	<u>(5,380,540)</u>	<u>(612,645)</u>	<u>2,685</u>	<u>-</u>	<u>(5,990,500)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,320,869</u>	<u>(10,953)</u>	<u>-</u>	<u>30,295</u>	<u>10,340,211</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,336,567</u>	<u>\$ 462,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,799,407</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 14,666	\$ -	\$ -	\$ 14,666
Total Capital Assets, Not Being Depreciated	<u>14,666</u>	<u>-</u>	<u>-</u>	<u>14,666</u>
Capital Assets, Being Depreciated:				
Structures and improvements	18,181,474	88,929	-	18,270,403
Equipment	2,580,132	12,670	-	2,592,802
Vehicles	<u>82,420</u>	<u>-</u>	<u>-</u>	<u>82,420</u>
Total Capital Assets, Being Depreciated	<u>20,844,026</u>	<u>101,599</u>	<u>-</u>	<u>20,945,625</u>
Less Accumulated Depreciation for:				
Structures and improvements	(7,468,225)	(462,872)	-	(7,931,097)
Equipment	(1,338,665)	(63,300)	-	(1,401,965)
Vehicles	<u>(70,321)</u>	<u>(8,245)</u>	<u>-</u>	<u>(78,566)</u>
Total Accumulated Depreciation	<u>(8,877,211)</u>	<u>(534,417)</u>	<u>-</u>	<u>(9,411,628)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,966,815</u>	<u>(432,818)</u>	<u>-</u>	<u>11,533,997</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,981,481</u>	<u>(\$ 432,818)</u>	<u>\$ -</u>	<u>\$ 11,548,663</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 56,668
Public safety	144,635
Public ways and facilities	381,799
Recreation and culture	<u>29,543</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 612,645</u>

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

Water	\$ 127,202
Sewer	<u>407,215</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 534,417</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
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due to and due from balances as of June 30, 2014:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Nonmajor Governmental Funds	\$ -	\$ 669,975
Water	-	90,085
Sewer	<u>760,060</u>	<u>-</u>
Total	<u>\$ 760,060</u>	<u>\$ 760,060</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, 2014:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 298,016	\$ 133,346
Measure "S"	82,818	18,482
Measure "L"	-	82,500
Nonmajor Governmental Funds	37,634	201,021
Water	-	49,286
Sewer	-	66,181
Nonmajor Enterprise Fund	<u>132,348</u>	<u>-</u>
Total	<u>\$ 550,816</u>	<u>\$ 550,816</u>

NOTE 6: UNEARNED REVENUE

At June 30, 2014, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
July and August 2014 Swim Lessons	\$ 9,500
July 2014 Lego Camp Revenues	7,920
2014-2015 Business License Revenue	37,472
Other Miscellaneous 2014-2015 Revenue	<u>7,268</u>
Total Unearned	<u>\$ 62,160</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2013</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Capital Leases	\$ 132,321	\$ -	(\$ 53,813)	\$ 78,508	\$ 56,482
Compensated Absences	<u>156,282</u>	<u>111,950</u>	<u>(133,782)</u>	<u>134,450</u>	<u>94,115</u>
Total Governmental Activities	<u>\$ 288,603</u>	<u>\$ 111,950</u>	<u>(\$ 187,595)</u>	<u>\$ 212,958</u>	<u>\$ 150,597</u>
Business-Type Activities					
Loans	\$ 1,066,352	\$ -	(\$ 150,121)	\$ 916,231	\$ 153,447
Certificates of Participation	3,714,000	-	(53,000)	3,661,000	55,000
Compensated Absences	<u>23,062</u>	<u>19,980</u>	<u>(15,094)</u>	<u>27,948</u>	<u>19,563</u>
Total Business-Type Activities	<u>\$ 4,803,414</u>	<u>\$ 19,980</u>	<u>(\$ 218,215)</u>	<u>\$ 4,605,179</u>	<u>\$ 228,010</u>

Individual issues of debt payable outstanding at June 30, 2014, are as follows:

Business-Type Activities

Loans:

All Points Capital Bond Refinance Loan, dated September 1, 2005, payable in annual installments of \$49,843 to \$67,877 with an interest rate of 4.09% and maturity of October 1, 2016. This loan was used to refinance prior loans used to finance the City's water system. \$ 234,626

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. This loan was used to refund prior loans used to finance the City's wastewater treatment and disposal system. 676,828

PG&E Wastewater Retrofit Loan, dated February 13, 2013, payable in monthly installments of \$528.64, with an interest rate of 0.0% and maturity of April 14, 2015. This loan was used to finance retrofit improvements to the wastewater system. 4,777

Total Loans 916,231

Certificates of Participation:

2005 Wastewater Certificates of Participation, dated October 1, 2005, payable in annual principal installments of \$16,000 to \$48,000, with an interest rate of 4.25%, and maturity of July 15, 2045. These Certificates of Participation were used to finance improvements to the City's wastewater collection, treatment and disposal system. 1,990,000

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2014, are as follows: (Continued)

Business-Type Activities (Continued)

Certificates of Participation: (Continued)

2007 Certificates of Participation, dated March 1, 2007, payable in annual principal installments of \$19,000 to \$90,000, with an interest rate of 4.125%, and maturity of July 15, 2046. These Certificates of Participation were used finance improvements to the City's wastewater collection, treatment and disposal facilities.

	<u>1,671,000</u>
Total Certificates of Participation	<u>3,661,000</u>
Total Business-Type Activities	<u>\$ 4,577,231</u>

Following is a schedule of debt payment requirements of governmental and business-type activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities and capital leases which are reported in Note 9.

Business-Type Activities

<u>Year Ended</u> <u>June 30</u>	Loans Payable		
	Principal	Interest	Total
2015	\$ 153,467	\$ 35,311	\$ 188,778
2016	158,227	29,065	187,292
2017	113,050	22,529	135,579
2018	65,928	18,860	84,788
2019	71,594	16,037	87,631
2020-2024	287,479	41,100	328,579
2025-2029	66,486	2,121	68,607
Total	<u>\$ 916,231</u>	<u>\$ 165,023</u>	<u>\$ 1,081,254</u>

<u>Year Ended</u> <u>June 30</u>	Certificates of Participation		
	Principal	Interest	Total
2015	\$ 55,000	\$ 152,351	\$ 207,351
2016	58,000	149,982	207,982
2017	60,000	147,508	207,508
2018	62,000	144,949	206,949
2019	65,000	142,285	207,285
2020-2024	366,000	671,992	1,037,992
2025-2029	451,000	582,036	1,033,036
2030-2034	554,000	477,065	1,031,065
2035-2039	680,000	348,034	1,028,034
2040-2044	835,000	189,655	1,024,655
2045-2049	475,000	25,579	500,579
Total	<u>\$ 3,661,000</u>	<u>\$ 3,031,436</u>	<u>\$ 6,692,436</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 8: SHORT-TERM DEBT

The City received a short-term loan from the County of Nevada to fund current expenditure requirements. Short-term debt activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Nevada County Loan	\$ -	\$ 500,000	\$ 500,000	\$ -
Total	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>

NOTE 9: LEASES

Capital Leases

The City has entered into certain capital lease agreements under which the related equipment 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, 2014</u>
Governmental fund activities	4.39-5.95%	\$ 78,508
Total Capital Lease Obligations		<u>\$ 78,508</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 382,200
Less: accumulated depreciation	(-)
Net Value	<u>\$ 382,200</u>

As of June 30, 2014, capital lease annual amortization was as follows:

	<u>Governmental Activities</u>
Year Ending June 30:	
2015	\$ 60,596
2016	<u>23,336</u>
Total Requirements	83,932
Less Interest	(5,425)
Present Value of Remaining Payments	<u>\$ 78,507</u>

NOTE 10: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10: NET POSITION (CONTINUED)

- **Net investment in capital assets** - 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 position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$2,102,202 of restricted net position, of which \$997,134 is restricted by enabling legislation.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 11: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balance for governmental funds are made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: FUND BALANCES (CONTINUED)

- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the City's General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all the major and nonmajor governmental funds as of June 30, 2014, were distributed as follows:

	General Fund	Measure "S"	CMAQ ST & RD	Nonmajor Funds	Total
Nonspendable:					
Prepaid costs	\$ 137,274	\$ 1,393	\$ -	\$ -	\$ 138,667
Subtotal	<u>137,274</u>	<u>1,393</u>	<u>-</u>	<u>-</u>	<u>138,667</u>
Restricted for:					
General reserve	253,669	-	-	-	253,669
Measure "S"	-	568,823	-	-	568,823
Measure "L"	-	-	267,790	-	267,790
AB1600	-	-	-	160,521	160,521
P&R Quimby	-	-	-	28,929	28,929
Gas Tax Streets	-	-	-	104,489	104,489
Tax Fire Dept	-	-	-	1,716	1,716
2003 Fire Tax	-	-	-	3,300	3,300
SLESF	-	-	-	60,364	60,364
Subtotal	<u>253,669</u>	<u>568,823</u>	<u>267,790</u>	<u>359,319</u>	<u>1,449,601</u>
Committed to:					
General reserve	184,881	-	-	-	184,881
NC recreation	-	-	-	7,915	7,915
Prop 172	-	-	-	15,277	15,277
Subtotal	<u>184,881</u>	<u>-</u>	<u>-</u>	<u>23,192</u>	<u>208,073</u>
Assigned to:					
General reserve	32,005	-	-	-	32,005
Donation Project	-	-	-	10,345	10,345
Indian Trail	-	-	-	51,899	51,899
MATHIVET	-	-	-	72,867	72,867
Bicentennial	-	-	-	4,049	4,049
Becker	-	-	-	18,022	18,022
Subtotal	<u>32,005</u>	<u>-</u>	<u>-</u>	<u>157,182</u>	<u>189,187</u>
Unassigned	<u>169,035</u>	<u>-</u>	<u>-</u>	<u>(318,970)</u>	<u>(149,935)</u>
Total	<u>\$ 776,864</u>	<u>\$ 570,216</u>	<u>\$ 267,790</u>	<u>\$ 220,723</u>	<u>\$ 1,835,593</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance is available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The City Council adopted the City of Nevada City Fund Balance Policy in 2013. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for a measure of financial protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54.

NOTE 12: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension 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 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

Effective January 1, 2013, the City added retirement tiers for both Miscellaneous Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding.

B. Funding Policy

For active plan members preceding PEPRA, Miscellaneous Plan members pay 7% or 8% of their annual covered salary while Safety Plan members pay 9% of their annual covered salary. For active plan members included in PEPRA, Miscellaneous Plan members pay 6.25% of their annual covered salary while Safety Plan members pay 9.50% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established by PERS. Both the Miscellaneous and Safety Plans include cost sharing agreements which determine whether a portion of the members' contribution is paid by the City or whether a portion of the Employer's contribution is paid by the member. Results of the cost sharing agreements are as follows:

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 12: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

B. Funding Policy (Continued)

	Member Share		City Share		Total	
	Member	City	Member	City	Member	City
Miscellaneous						
Classic						
First Tier Plan	2.000%	6.000%	0.000%	14.660%	2.000%	20.660%
Second Tier Plan	5.000%	2.000%	0.000%	8.486%	5.000%	10.486%
PEPRA						
No MOU	6.250%	0.000%	0.000%	6.250%	6.250%	6.250%
Safety						
Classic	2.000%	7.000%	0.000%	26.149%	2.000%	33.149%
PEPRA						
No MOU	9.500%	0.000%	0.000%	9.500%	9.500%	9.500%

The City's contributions for the years ending June 30, 2014, 2013, and 2012 were \$118,491, \$116,679, and \$114,915 for the Miscellaneous plans and \$179,860, \$181,472, and \$178,022 for the Safety plans, which equaled the required contributions each year.

NOTE 13: 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.

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.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

The City is a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self insured \$100,000 retention for workers compensation. The NCCSIF is composed of 22 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 13: RISK MANAGEMENT (CONTINUED)

NCCSIF is a joint powers agency organized in accordance with Article 1, Chapter 5, Division 7, Title 1 of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The Authority provides claims processing administrative services, risk management services, and actuarial studies. It is governed by a member from each city. The City of Nevada City council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The Authority is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

Upon termination of the JPA agreement, all property of the Authority will vest in the respective parties which theretofore transferred, conveyed or leased said property to the Authority. Any surplus of funds will be returned to the parties in proportion to actual balances of each equity.

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The participants as of June 30, 2014 were as follows:

- Anderson
- Auburn
- Colusa
- Corning
- Dixon
- Elk Grove
- Folsom
- Galt
- Gridley
- Ione
- Jackson
- Lincoln
- Marysville
- Nevada City
- Oroville
- Paradise
- Placerville
- Red Bluff
- Rio Vista
- Rocklin
- Willows
- Yuba City

The City's investment in the NCCSIF of \$158,809 is recorded in the General fund, Measure "S" fund, and water and sewer funds as prepaid insurance. The net change is shown as an income or expenditure/expense item.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

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.

B. Subsequent Event

On June 25, 2014, the City approved through Resolution No. 2014-33 to receive, in the subsequent year, a transfer of funds from the County of Nevada of \$400,000 to meet the obligations incurred for operation and maintenance. The interest rate on the short-term borrowing will be the Nevada County Treasurer's pooled interest rate plus .05% for an administrative charge and is to be repaid by April 30, 2015.

Management has evaluated events subsequent to June 30, 2014 through January 16, 2015, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Budgetary Basis
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 2,420,295	\$ 2,496,775	\$ 2,543,593	\$ 46,818
Licenses and permits	187,600	209,406	215,387	5,981
Fines and forfeitures	85,000	145,550	143,513	(2,037)
Intergovernmental revenues	60,885	84,150	59,401	(24,749)
Use of money and property	100,500	89,330	88,399	(931)
Charges for services	281,425	273,673	265,560	(8,113)
Other revenues	46,545	34,303	90,450	56,147
Total Revenues	<u>3,182,250</u>	<u>3,333,187</u>	<u>3,406,303</u>	<u>73,116</u>
EXPENDITURES				
Current:				
General government	672,670	651,525	997,038	(345,513)
Public protection	2,040,105	2,043,540	1,734,240	309,300
Public ways and facilities	292,155	324,553	319,972	4,581
Recreation and culture	309,648	312,036	266,459	45,577
Debt service:				
Principal	556,881	556,881	553,813	3,068
Interest and other charges	7,715	7,715	8,152	(437)
Capital outlay	5,000	11,200	9,823	1,377
Total Expenditures	<u>3,884,174</u>	<u>3,907,450</u>	<u>3,889,497</u>	<u>17,953</u>
Excess of Revenues Over (Under) Expenditures	<u>(701,924)</u>	<u>(574,263)</u>	<u>(483,194)</u>	<u>91,069</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	321,000	296,325	298,016	1,691
Transfers out	-	-	(133,346)	(133,346)
Debt proceeds	500,000	500,000	500,000	-
Total Other Financing Sources (Uses)	<u>821,000</u>	<u>796,325</u>	<u>664,670</u>	<u>(131,655)</u>
Net Change in Fund Balance	119,076	222,062	181,476	(40,586)
Fund Balance - Beginning	<u>595,388</u>	<u>595,388</u>	<u>595,388</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 714,464</u>	<u>\$ 817,450</u>	<u>\$ 776,864</u>	<u>\$ (40,586)</u>

The City budgets for short term debt proceeds and payments as other financing sources and debt service expenditures. For purposes of the budgetary comparison schedule, the short term debt proceeds and payments of \$500,000 were included in other financing sources and debt service expenditures.

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "S" - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 556,000	\$ 556,000	\$ 558,777	\$ 2,777
Intergovernmental revenues	-	41,000	41,000	-
Use of money and property	-	150	772	622
Total Revenues	<u>556,000</u>	<u>597,150</u>	<u>600,549</u>	<u>3,399</u>
EXPENDITURES				
Current:				
Public ways and facilities	91,050	90,150	51,680	38,470
Capital outlay	411,000	472,000	510,068	(38,068)
Total Expenditures	<u>502,050</u>	<u>562,150</u>	<u>561,748</u>	<u>402</u>
Excess of Revenues Over (Under) Expenditures	<u>53,950</u>	<u>35,000</u>	<u>38,801</u>	<u>3,801</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	55,390	82,818	27,428
Transfers out	-	-	(18,482)	(18,482)
Total Other Financing Sources (Uses)	<u>-</u>	<u>55,390</u>	<u>64,336</u>	<u>8,946</u>
Net Change in Fund Balance	53,950	90,390	103,137	12,747
Fund Balance - Beginning	<u>467,079</u>	<u>467,079</u>	<u>467,079</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 521,029</u>	<u>\$ 557,469</u>	<u>\$ 570,216</u>	<u>\$ 12,747</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "L" - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 395,000	\$ 435,000	\$ 425,130	\$ (9,870)
Use of money and property	-	-	579	579
Total Revenues	<u>395,000</u>	<u>435,000</u>	<u>425,709</u>	<u>(9,291)</u>
EXPENDITURES				
Current:				
General government	319,000	129,536	60,959	68,577
Capital outlay	-	-	99,991	(99,991)
Total Expenditures	<u>319,000</u>	<u>129,536</u>	<u>160,950</u>	<u>(31,414)</u>
Excess of Revenues Over (Under) Expenditures	<u>76,000</u>	<u>305,464</u>	<u>264,759</u>	<u>(40,705)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(82,500)	(82,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(82,500)</u>	<u>(82,500)</u>
Net Change in Fund Balance	76,000	305,464	182,259	(123,205)
Fund Balance - Beginning	<u>85,531</u>	<u>85,531</u>	<u>85,531</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 161,531</u>	<u>\$ 390,995</u>	<u>\$ 267,790</u>	<u>\$ (123,205)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2014

BUDGETARY BASIS OF ACCOUNTING

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 the General fund and major special revenue funds. 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) with the exception of short-term debt proceeds and payments which were budgeted as other financing sources and debt service expenditures.

The following procedures are performed by the City in establishing the budgetary data reflected in the financial statements:

- (1) The City Manager submits to the City Council a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The City Council reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the recommended 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 recommended expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department.

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.

Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

- **Special Revenue Funds**

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CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	AB 1600	P & R Quimby	Donation Project	Nevada Main Project
ASSETS				
Cash and investments	\$ 160,350	\$ 28,899	\$ -	\$ -
Receivables:				
Accounts	12,277	-	18,470	-
Interest	171	30	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
	\$ 172,798	\$ 28,929	\$ 18,470	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Interest payable	-	-	4	9
Due to other funds	-	-	8,121	6,495
	-	-	8,125	6,504
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	12,277	-	-	-
	12,277	-	-	-
FUND BALANCES				
Restricted	160,521	28,929	-	-
Committed	-	-	-	-
Assigned	-	-	10,345	-
Unassigned	-	-	-	(6,504)
	160,521	28,929	10,345	(6,504)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 172,798	\$ 28,929	\$ 18,470	\$ -

<u>Gas Tax Streets</u>	<u>TDA Funds</u>	<u>TDA Sidewalks</u>	<u>CMAQ ST & RD</u>	<u>Traffic Relief</u>	<u>Regional Traffic Mitigation</u>	<u>Indian Trails</u>	<u>UST Project</u>
\$ 86,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,844	\$ -
-	-	-	-	-	-	-	-
76	-	-	-	-	-	55	-
18,363	-	-	-	-	-	-	-
-	-	-	351,181	-	-	-	11,199
<u>\$ 104,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,899</u>	<u>\$ 11,199</u>
\$ -	\$ 600	\$ -	\$ 1,295	\$ -	\$ -	\$ -	\$ 10,865
-	-	-	-	-	-	-	-
-	-	-	361	-	-	-	-
-	-	-	354,636	-	-	-	11,407
-	600	-	356,292	-	-	-	22,272
-	-	-	40,215	-	-	-	11,199
-	-	-	40,215	-	-	-	11,199
104,489	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	51,899	-
-	(600)	-	(45,326)	-	-	-	(22,272)
104,489	(600)	-	(45,326)	-	-	51,899	(22,272)
<u>\$ 104,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,899</u>	<u>\$ 11,199</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	<u>Brownsfield 10</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Taxes	-	1,716	3,300	-
Intergovernmental	32,581	-	-	75,551
	<u>32,581</u>	<u>-</u>	<u>-</u>	<u>75,551</u>
Total Assets	<u>\$ 32,581</u>	<u>\$ 1,716</u>	<u>\$ 3,300</u>	<u>\$ 75,551</u>
LIABILITIES				
Accounts payable	\$ 71,041	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Interest payable	-	-	-	22
Due to other funds	231	-	-	67,614
	<u>71,272</u>	<u>-</u>	<u>-</u>	<u>67,636</u>
Total Liabilities	<u>71,272</u>	<u>-</u>	<u>-</u>	<u>67,636</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	1,716	3,300	-
Committed	-	-	-	7,915
Assigned	-	-	-	-
Unassigned	(38,691)	-	-	-
	<u>(38,691)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(38,691)</u>	<u>1,716</u>	<u>3,300</u>	<u>7,915</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 32,581</u>	<u>\$ 1,716</u>	<u>\$ 3,300</u>	<u>\$ 75,551</u>

<u>CMAQ Grant</u>	<u>CDBG Enterprise</u>	<u>CABY Nevada City</u>	<u>CABY Misc Agency</u>	<u>Prop 172</u>	<u>MATHIVET</u>	<u>SLESF</u>	<u>Bicentennial</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,494	\$ 72,790	\$ 43,866	\$ 4,049
-	-	-	-	-	-	-	-
-	-	-	-	27	77	106	-
-	-	-	-	-	-	-	-
-	30,062	139,112	215,871	2,756	-	16,392	-
<u>\$ -</u>	<u>\$ 30,062</u>	<u>\$ 139,112</u>	<u>\$ 215,871</u>	<u>\$ 15,277</u>	<u>\$ 72,867</u>	<u>\$ 60,364</u>	<u>\$ 4,049</u>
\$ -	\$ 1,840	\$ 52,649	\$ 30,724	\$ -	\$ -	\$ -	\$ -
-	429	-	-	-	-	-	-
-	23	-	-	-	-	-	-
-	33,783	93,652	94,036	-	-	-	-
-	36,075	146,301	124,760	-	-	-	-
-	30,062	89,054	164,370	-	-	-	-
-	30,062	89,054	164,370	-	-	-	-
-	-	-	-	-	-	60,364	-
-	-	-	-	15,277	-	-	-
-	-	-	-	-	72,867	-	4,049
-	(36,075)	(96,243)	(73,259)	-	-	-	-
-	(36,075)	(96,243)	(73,259)	15,277	72,867	60,364	4,049
<u>\$ -</u>	<u>\$ 30,062</u>	<u>\$ 139,112</u>	<u>\$ 215,871</u>	<u>\$ 15,277</u>	<u>\$ 72,867</u>	<u>\$ 60,364</u>	<u>\$ 4,049</u>

**CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014**

	Becker	Total
ASSETS		
Cash and investments	\$ 18,003	\$ 478,345
Receivables:		
Accounts	-	30,747
Interest	19	561
Taxes	-	23,379
Intergovernmental	-	874,705
	\$ 18,022	\$ 1,407,737
LIABILITIES		
Accounts payable	\$ -	\$ 169,014
Salaries and benefits payable	-	429
Interest payable	-	419
Due to other funds	-	669,975
	-	839,837
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	347,177
	-	347,177
FUND BALANCES		
Restricted	-	359,319
Committed	-	23,192
Assigned	18,022	157,182
Unassigned	-	(318,970)
	18,022	220,723
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,022	\$ 1,407,737

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CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Donation Project</u>	<u>Nevada Main Project</u>
REVENUES				
Taxes and assessments	\$ 14,754	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	4,539
Use of money and property	416	76	(7)	(26)
Other revenues	-	-	29,605	-
Total Revenues	<u>15,170</u>	<u>76</u>	<u>29,598</u>	<u>4,513</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	7,263	-	-	-
Recreation and culture	-	-	17,824	-
Capital outlay	-	-	-	3,458
Total Expenditures	<u>7,263</u>	<u>-</u>	<u>17,824</u>	<u>3,458</u>
Excess of Revenues Over (Under) Expenditures	<u>7,907</u>	<u>76</u>	<u>11,774</u>	<u>1,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	3,458
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,458</u>
Net Change in Fund Balances	7,907	76	11,774	4,513
Fund Balances - Beginning	<u>152,614</u>	<u>28,853</u>	<u>(1,429)</u>	<u>(11,017)</u>
Fund Balances - Ending	<u>\$ 160,521</u>	<u>\$ 28,929</u>	<u>\$ 10,345</u>	<u>\$ (6,504)</u>

<u>Gas Tax Streets</u>	<u>TDA Funds</u>	<u>TDA Sidewalks</u>	<u>CMAQ ST & RD</u>	<u>Traffic Relief</u>	<u>Regional Traffic Mitigation</u>	<u>Indian Trails</u>	<u>UST Project</u>
\$ 113,123	\$ -	\$ -	\$ -	\$ -	\$ 7,475	\$ -	\$ -
-	-	27,063	336,247	-	-	-	12,768
141	-	-	(496)	144	7	136	-
-	-	-	-	-	-	-	-
<u>113,264</u>	<u>-</u>	<u>27,063</u>	<u>335,751</u>	<u>144</u>	<u>7,482</u>	<u>136</u>	<u>12,768</u>
-	-	-	-	-	7,482	253	11,199
-	-	-	-	-	-	-	-
46,304	1,575	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	339,563	-	-	-	-
<u>46,304</u>	<u>1,575</u>	<u>-</u>	<u>339,563</u>	<u>-</u>	<u>7,482</u>	<u>253</u>	<u>11,199</u>
<u>66,960</u>	<u>(1,575)</u>	<u>27,063</u>	<u>(3,812)</u>	<u>144</u>	<u>-</u>	<u>(117)</u>	<u>1,569</u>
24,589	975	-	3,041	-	-	-	-
(7,400)	-	(27,427)	(24,589)	(112,720)	-	-	-
<u>17,189</u>	<u>975</u>	<u>(27,427)</u>	<u>(21,548)</u>	<u>(112,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>
84,149	(600)	(364)	(25,360)	(112,576)	-	(117)	1,569
<u>20,340</u>	<u>-</u>	<u>364</u>	<u>(19,966)</u>	<u>112,576</u>	<u>-</u>	<u>52,016</u>	<u>(23,841)</u>
<u>\$ 104,489</u>	<u>\$ (600)</u>	<u>\$ -</u>	<u>\$ (45,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,899</u>	<u>\$ (22,272)</u>

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	<u>Brownsfield 10</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>
REVENUES				
Taxes and assessments	\$ -	\$ 34,325	\$ 66,004	\$ 75,551
Intergovernmental revenues	185,710	-	-	-
Use of money and property	-	-	-	(19)
Other revenues	-	-	-	-
Total Revenues	<u>185,710</u>	<u>34,325</u>	<u>66,004</u>	<u>75,532</u>
EXPENDITURES				
Current:				
General government	224,401	-	-	-
Public protection	-	34,332	66,017	-
Public ways and facilities	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	69,643
Total Expenditures	<u>224,401</u>	<u>34,332</u>	<u>66,017</u>	<u>69,643</u>
Excess of Revenues Over (Under) Expenditures	<u>(38,691)</u>	<u>(7)</u>	<u>(13)</u>	<u>5,889</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(38,669)</u>	<u>(7)</u>	<u>(13)</u>	<u>5,889</u>
Fund Balances - Beginning	<u>(22)</u>	<u>1,723</u>	<u>3,313</u>	<u>2,026</u>
Fund Balances - Ending	<u>\$ (38,691)</u>	<u>\$ 1,716</u>	<u>\$ 3,300</u>	<u>\$ 7,915</u>

CMAQ Grant	CDBG Enterprise	CABY Nevada City	CABY Misc Agency	Prop 172	MATHIVET	SLESF	Bicentennial
\$ -	\$ -	\$ -	\$ -	\$ 32,930	\$ -	\$ 97,181	\$ -
-	-	50,059	33,386	-	-	-	-
(3)	(33)	(6)	1	58	200	230	-
-	-	-	-	-	-	-	8,350
<u>(3)</u>	<u>(33)</u>	<u>50,053</u>	<u>33,387</u>	<u>32,988</u>	<u>200</u>	<u>97,411</u>	<u>8,350</u>
-	27,243	98,765	106,646	-	9,136	-	5,840
-	-	-	-	-	-	100,472	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,248	39,691	-	-	-	-	-
<u>-</u>	<u>30,491</u>	<u>138,456</u>	<u>106,646</u>	<u>-</u>	<u>9,136</u>	<u>100,472</u>	<u>5,840</u>
<u>(3)</u>	<u>(30,524)</u>	<u>(88,403)</u>	<u>(73,259)</u>	<u>32,988</u>	<u>(8,936)</u>	<u>(3,061)</u>	<u>2,510</u>
5,549	-	-	-	-	-	-	-
-	(5,549)	-	-	(23,336)	-	-	-
<u>5,549</u>	<u>(5,549)</u>	<u>-</u>	<u>-</u>	<u>(23,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,546	(36,073)	(88,403)	(73,259)	9,652	(8,936)	(3,061)	2,510
(5,546)	(2)	(7,840)	-	5,625	81,803	63,425	1,539
<u>\$ -</u>	<u>\$ (36,075)</u>	<u>\$ (96,243)</u>	<u>\$ (73,259)</u>	<u>\$ 15,277</u>	<u>\$ 72,867</u>	<u>\$ 60,364</u>	<u>\$ 4,049</u>

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Becker	Total
REVENUES		
Taxes and assessments	\$ -	\$ 441,343
Intergovernmental revenues	-	649,772
Use of money and property	47	866
Other revenues	-	37,955
	47	1,129,936
EXPENDITURES		
Current:		
General government	-	490,965
Public protection	-	200,821
Public ways and facilities	-	55,142
Recreation and culture	-	17,824
Capital outlay	-	455,603
	-	1,220,355
Total Expenditures	-	1,220,355
Excess of Revenues Over (Under) Expenditures	47	(90,419)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	37,634
Transfers out	-	(201,021)
	-	(163,387)
Total Other Financing Sources (Uses)	-	(163,387)
Net Change in Fund Balances	47	(253,806)
Fund Balances - Beginning	17,975	474,529
Fund Balances - Ending	\$ 18,022	\$ 220,723

Nonmajor Proprietary Funds

- **Enterprise Funds**

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CITY OF NEVADA CITY
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

	Veteran's Building	Totals
ASSETS		
Current Assets:		
Cash and investments	\$ -	\$ -
Total Assets	-	-
LIABILITIES		
Current Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
NET POSITION		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenses and
Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

	Veteran's Building	Totals
OPERATING REVENUES		
Charges for services	\$ -	\$ -
Total Operating Revenues	-	-
OPERATING EXPENSES		
Salaries and benefits	-	-
Total Operating Expenses	-	-
Operating Income (Loss)	-	-
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	-	-
Total Non-Operating Revenues (Expenses)	-	-
Income (loss) Before Transfers	-	-
Transfers in	132,348	132,348
Change in Net Position	132,348	132,348
Total Net Position - Beginning	(132,348)	(132,348)
Total Net Position - Ending	\$ -	\$ -

CITY OF NEVADA CITY
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

	Veteran's Building	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,116	\$ 1,116
Payments to suppliers	(3,117)	(3,117)
Payments to employees	(392)	(392)
	(2,393)	(2,393)
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	132,348	132,348
Interfund loans repaid	(129,842)	(129,842)
	2,506	2,506
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	(113)	(113)
	(113)	(113)
Net Cash Provided (Used) by Capital and Related Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
	-	-
Balances - Beginning		
	-	-
Balances - Ending		
	\$ -	\$ -
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	1,116	1,116
Prepaid costs	139	139
Increase (decrease) in:		
Accounts payable	(3,256)	(3,256)
Salaries and benefits payable	(392)	(392)
	(2,393)	(392)
Net Cash Provided (Used) by Operating Activities		
	\$ (2,393)	\$ (2,393)

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