

**CITY OF NEVADA CITY,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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CITY OF NEVADA CITY
Annual Financial Report
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

- **List of Officials**

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CITY OF NEVADA CITY
List of Officials
For the Year Ended June 30, 2018

CITY COUNCIL

Duane Strawser, Mayor

David Parker, Vice Mayor

Valerie Moberg

Reinette Senum

Evans Phelps

CITY STAFF

Catrina Olson, City Manager

Niel Locke, City Clerk

David McKay, City Treasurer

Harold DeGraw, Consulting City Attorney

Sam Goodspeed, Fire Chief

Vacant, Chief of Police

Bryan McAlister, City Engineer

William Highsmith, Superintendent of Public Works

Loree' McCay, Administrative Services Manager

Amy Wolfson, 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, 2018, 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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, City Pension Plan - Schedule of Proportionate Share of the Net Pension Liability, City Pension Plan - Schedule of Contributions, Notes to the City Pension Plan 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 March 5, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
March 5, 2019

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

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**CITY OF NEVADA CITY, CALIFORNIA
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2017/2018**

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, 2018. 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 full array of services to all of the citizens. The voters approved Measure "L", a five year, three-eighths cent general-purpose tax measure that concluded March 2018. This tax measure enabled the City to improve the health of the General fund by setting aside reserves and providing funding to "catch up" on deferred maintenance that the City experienced during the recession. At the November 2016 election Measure "C", a three-eighths cent special safety tax without a sunset was passed. This Measure has enabled the City to continue to provide full Fire Department services and add Police personnel. At the June 2018 election, the Nevada City voters approved a cannabis business excise general-purpose tax, Measure "F". This measure will provide the funding for the City to support the new incoming cannabis industry. Measure "C" and "F" will continue to provide the ability for the City to continue consistent service levels and build General fund reserves.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2018:

Entity-wide:

- ❑ The City's assets at the end of the year increased to \$32,981,463, up \$490,329 from the previous fiscal year. Of this total, \$18,653,078 is governmental assets, up \$1,138,511 from the previous fiscal year, and \$14,328,385 is business-type assets, down \$648,182 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year increased to \$9,719,082, up \$389,107 from the previous fiscal year. Of this total, \$5,101,217 is governmental liabilities up, \$795,510 from the previous fiscal year, and \$4,617,865 is business-type liabilities, down \$406,403 from the previous fiscal year.
- ❑ The net effect of the changes in assets and liabilities left the City's net position at \$23,911,270, up \$267,885 from the previous fiscal year. Of this total, \$14,157,013 is governmental, up \$504,735 from the previous fiscal year, and \$9,754,257 is business-type, down \$236,850 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$2,086,291 and general revenues of \$4,821,260 for total revenues of \$6,907,551. Governmental expenses were \$6,402,816.
- ❑ Business-type revenues include program revenues of \$2,418,108 and general revenues of \$14,300 for total revenues of \$2,432,408. Business-type expenses were \$2,669,258.

Fund level:

- ❑ Governmental fund balances at the end of the fiscal year were \$2,574,405, an increase of \$988,533 from the previous fiscal year.
- ❑ Governmental fund revenues were \$7,373,772 in 2018 compared to \$5,943,623 in 2017, an increase of \$1,430,149.
- ❑ Governmental fund expenditures were \$6,674,154 in 2018 compared to \$6,406,140 in 2017, an increase of \$268,014 from the previous fiscal year.

General Fund:

- ❑ The General fund revenues of \$4,047,100 represents an increase of \$137,076 from the previous fiscal year.
- ❑ General fund expenditures of \$4,134,865 represents a decrease of \$122,011 from the previous fiscal year.
- ❑ General fund other financing sources for the fiscal year totaled \$266,272, an increase of \$6,993 from the previous fiscal year.
- ❑ At the end of the fiscal year, the General fund fund balance was \$1,659,146 representing an increase of \$178,507 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 Statement 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 tells us 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 intergovernmental 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 wastewater utility operations.

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

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 doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds 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 wastewater 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 and 2 focus on the City's Governmental Statement of Net position and Statement of Activities and Tables 3 through 5 focus on the City's Business-Type Statement of Net position and Statement of Activities.

Governmental Activities:

Table 1
Governmental Net position at June 30, 2018

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 2,517,081	\$ 2,077,927
Other assets	846,506	848,818
Capital assets	15,289,491	14,587,822
Total Assets	18,653,078	17,514,567
Pension adjustments	869,492	769,669
Total Deferred Outflows of Resources	869,492	769,669
Current liabilities	553,882	595,285
Long term liabilities	4,547,335	3,710,422
Total Liabilities	5,101,217	4,305,707
Business loan payments	30,256	65,408
Pension adjustments	234,084	260,843
Total Deferred Inflows of Resources	264,340	326,251
Net position:		
Net investment in capital assets	15,016,130	14,587,822
Restricted	2,470,476	1,792,954
Unrestricted	(3,329,593)	(2,728,498)
Total Net Position	\$ 14,157,013	\$ 13,652,278

The City's governmental net position was \$14,157,013 as of June 30, 2018, an increase of \$504,735 from 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, 2018 was comprised of the net of the following:

- Cash of \$2,517,081, 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 \$728,518 comprised of accrued revenues, loans and amounts due from other funds.
- Prepaid costs of \$117,988.
- Capital assets net of depreciation charges of \$15,289,491; 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.
- Deferred outflows of resources for pension adjustments of \$869,492.
- Current liabilities including accounts payable, accrued expenses, employee leave time earned but not yet used and amounts due to other funds totaling \$553,882.
- Long-term debt of \$4,547,335, of which \$4,445,001 matures in future years and \$102,334 is due within one year. The increase in long-term debt of \$836,913 is primarily associated to the reporting of future pension obligations and the increase in that net pension liability from fiscal year 2016/2017 to the current fiscal year 2017/2018. Notes 8 and 11 provide additional detail on the City's liabilities, long-term debt and pension liability.
- Deferred inflows of resources for pension adjustments and business loan payments of \$264,340.

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, 2018

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for service	\$ 963,195	\$ 927,648
Grants and contributions	1,123,096	795,299
General Revenues:		
Property taxes	1,547,620	1,452,017
Other taxes	3,126,739	2,687,907
Interest and investment earnings	78,229	107,203
Other general revenues	68,672	149,812
Total Revenues	6,907,551	6,119,886
Program expenses:		
General government	1,595,178	1,262,006
Public protection	3,331,031	3,042,998
Public ways and facilities	1,024,150	1,011,453
Recreation and culture	445,451	459,318
Interest on long-term debt	7,006	-
Total Expenses	6,402,816	5,775,775
Net (Expense) Revenue	504,735	344,111
Prior Period Adjustment	-	468,578
Change in Net Position	\$ 504,735	\$ 812,689

Overall total governmental revenues increased 13% from the prior fiscal year. Other taxes include sales and use tax, franchise tax and transient occupancy tax. Sales and use tax increased by 19% from the previous fiscal year. Included in this sales and use tax figures are Measure “S” collections of \$638,345, Measure “L” collections of \$370,315, Measure “C” of \$478,702 and sales tax of \$1,048,928. The combined franchise tax of \$166,131 and transient occupancy tax of \$424,318 increased 6% as compared to the previous fiscal year collections. The 2017/2018 assessed property valuations increased 6% over the fiscal year 2016/2017 assessed valuations. The City’s investment earnings declined 37% related to a reduction in rents received.

Table 2 shows that 30% of the City’s governmental revenues were derived from fees for City services and grants, this remained flat from the prior fiscal year. Charges for services increased 4% or \$35,547 from the previous fiscal year. Grants and contributions increased 41% from the previous fiscal year and is associated to the completion and reimbursement of major grant related projects.

Total governmental expenses increased 11% from the previous fiscal year. The overall increase in program expense of \$627,041 or 11% and is the net result of an increase in general government operational expenditures of 26%, a 9% increase in public protection expenditures, a 1% increase in public ways and facilities operational expenditures and a 3% decrease in parks and culture operational expenditures as compared to the previous fiscal year. The City implemented GASB 68 as of the June 30, 2015 reporting period, accounting and financial reporting for pensions. The inclusion of this financial data improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The fiscal year 2017/2018 CalPERS pension costs increased from the previous fiscal year. The City has a pass-through fund for recording grant revenues and expenditures for the Cosumnes, American, Bear River and Yuba Integrated Water Management Group Grant (CABY) projects paid with Proposition 84 funds for agencies that are not affiliated with the City of Nevada City. In accordance with Generally Accepted Accounting Principles (GAAP) the City of Nevada City audited financials reflect a reclassification of this fund balance and was presented in the fiscal year 2016/2017 financials as a Private Purpose Trust Fund.

Business-Type Activities:

**Table 3
Business-Type Net Position at June 30, 2018**

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 1,294,142	\$ 730,155
Other assets	1,135,425	1,985,943
Capital assets	11,898,818	12,260,469
Total Assets	14,328,385	14,976,567
Pension adjustments	95,218	98,273
Total Deferred Outflows of Resources	95,218	98,273
Current liabilities	299,362	632,844
Long term liabilities	4,318,503	4,391,424
Total Liabilities	4,617,865	5,024,268
Pension adjustments	51,481	59,465
Total Deferred Inflows of Resources	51,481	59,465
Net Position:		
Net investment in capital assets	8,047,259	8,280,982
Restricted	379,256	372,235
Unrestricted	1,327,742	1,337,890
Total Net Position	\$ 9,754,257	\$ 9,991,107

The City's business-type enterprises consist of water and wastewater services. Total net position decreased by \$236,850, a decrease of 2% from the previous fiscal year.

Table 4
Changes in Business-Type Net Position June 30, 2018

	2018	2017
Revenues:		
Program revenues:		
Water	\$ 887,659	\$ 849,741
Wastewater	1,281,507	1,322,487
Capital Contribution	248,942	616,905
General & intergovernmental revenues and transfers	14,300	12,537
Total Revenues	2,432,408	2,801,670
Expenses:		
Water	868,324	901,386
Wastewater	1,800,934	1,828,002
Total Expenses	2,669,258	2,729,388
Net (Expense) Revenue	(236,850)	72,282
Change in Net position	(236,850)	72,282
Net Position – Beginning	9,991,107	9,918,825
Net Position – Ending	\$ 9,754,257	\$ 9,991,107

The City’s business-type revenue decreased by 13%. Of the 13% decrease from the previous fiscal year Water revenue collections increased 4% associated to an uptick in water use. Wastewater revenue collections decreased 3% compared to the previous fiscal year. The decreased revenues are primarily associated with reduced program income from leachate hauling.

There was a decrease of 2% in total business-type activity expense from the previous fiscal year. Water operational expenditures decreased 4% and wastewater operation expenses decreased 2%. Both primarily tied to decreases in professional outside services.

The City implemented GASB 68 as of the June 30, 2015 reporting period, accounting and financial reporting for pensions. The inclusion of this financial data improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Table 5
Changes in Business-Type Net Position June 30, 2018
Net (Expense) Revenues from Services

	2018	2017
Water Services	\$ 117,880	\$ 302,335
Wastewater Services	(354,730)	(230,053)
Totals	\$ (236,850)	\$ 72,282

There was a decrease of \$309,132 to net position for business-type activities from the previous fiscal year. The change in net position for Water services was \$117,880, lower than the net for fiscal year 16/17 due to a combination of increased revenue collection and a decrease in professional outside services. The change in net position for wastewater services was (\$354,730) associated to significant increases in expenses for chlorine and chemical and bacterial testing.

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 is shown below:

Table 6
Capital Assets at June 30, 2018
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$ 1,630,332	\$ -	\$ 1,630,332
Structures & improvements	18,921,579	20,776,019	39,697,598
Vehicles, machinery, equipment and software	2,423,289	2,909,276	5,332,565
Construction in progress	1,032,533	2,272	1,034,805
Less accumulated depreciation	(8,718,242)	(11,788,749)	(20,506,991)
Totals	\$ 15,289,491	\$ 11,898,818	\$ 27,188,309

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 2017/2018 were in the area of land improvements and infrastructure. The City completed projects during fiscal year 2017/2018 such as the completion of the Pioneer Park pool rehabilitation using a LWCF Grant for \$471,000, and a new roof on the Chamber building for \$53,000 using budgeted funds. The City spent \$577,000 for the improvement of streets, sidewalks and paving using measure "S" funds. The City spent \$120,000 on preliminary engineering for the Highway Bridge project using funds from the Department of Transportation. The increase in capital assets for business activities is associated to completed projects such as major water line and sewer line repairs and improvements at Jordan Street, Gethsemane Street, Main through Alexander and West Broad Street totaling \$289,000; see Note 4 of the financials for additional detail on changes in capital assets during the year.

Debt Administration

Table 7
Outstanding Debt at June 30, 2018

	Government Activities	Business Activities	Total
Loans Payable	\$ 273,361	\$ 425,559	\$ 698,920
Certificates of Participation	-	3,426,000	3,426,000
Compensated Absences Payable	127,822	18,330	146,152
Total Outstanding Debt	401,183	3,869,889	4,271,072
Net Pension Liability	4,146,152	598,039	4,744,191
Totals	\$ 4,547,335	\$ 4,467,928	\$ 9,015,263

At year-end, the City had \$9,015,263 in long-term debt outstanding compared to \$8,244,004 at June 30, 2017. The City had an overall increase in debt of \$771,259. The increase in outstanding debt of \$771,259 was associated to an increase in the pension liability for government and business activities as a requirement of the new GASB 68 ruling setting forth changes in accounting principle. There was an increase of \$145,433 in loans payable and Certificates of Participation associated to the mortgage loan obtained for the purchase of 425 Nimrod in Pioneer Park. 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 and scheduled principal payments on the USDA Wastewater Fund Promissory note obtained in fiscal year 2007/2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget developed for fiscal year 2018/2019 was adopted by the City Council on June 13, 2018. The General fund budget approved by the City Council anticipates \$4.1 million in revenues, \$4.2 million in expenditures and \$232k in transfers from other funds, with Net (Expense)/Revenue being \$107k and operational reserve transfers from Measure "L" of \$132,5k. 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 increase 1% compared to the 2017/2018 budget. The City projected no change in sales tax and transient occupancy taxes and an increase of 3% in property taxes as compared to the 2017/2018 budget. The fiscal year 2018/2019 General fund budget has incorporated a decrease in expenditures of 3% compared to the 2017/2018 budget associated to the completion of the pool rehabilitation project. The City was faced with securing a sustainable funding source to ensure the continuity of Fire Department operations which experienced a loss of three staff members in April of 2015 when the Nevada County Consolidated Fire Department determined they could no longer afford to co-staff Nevada City Fire Station 54. In November 2016 the City put a transaction and use tax on the ballot, Measure "C", to secure funding specific to support the Nevada City Fire Department additional three positions and an additional Police Officer position. Measure "C" passed with an approval rating of 83% and is now the funding source for the three new Fire Department personnel and one Police Officer.

Revenue collections for the special taxes, Measure "S" and Measure "C", significantly assist the City in maintaining streets and roads, as well as provide funding for the Fire Department and Police Department. Measure "L" which had been used for equipment replacement, infrastructure and building repair associated to deferred maintenance during the economic decline, restoration of full time staffing and setting reserves sunsetted March 2018. At the June 2018 election, the Nevada City voters approved a cannabis business excise general-purpose tax, Measure "F". This measure will provide the funding for the City to support the new incoming cannabis industry.

The General fund has maintained a slow but improving economic financial position over the last several fiscal years. Fiscal year 2017/2018 shows an increase in the General fund balance and the City has maintained positive unassigned fund balance of \$345,918. It is crucial that City staff monitor incoming revenues and prioritize and review program expenditures to preserve and support a sustainable and viable financial status and provide quality service levels to serve its constituency.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,517,081	\$ 1,294,142	\$ 3,811,223
Receivables:			
Accounts	64,754	392,281	457,035
Interest	5,141	5,326	10,467
Taxes	523,731	-	523,731
Intergovernmental	463,174	-	463,174
Internal balances	(358,538)	358,538	-
Due from other agencies	-	216,014	216,014
Prepaid costs	117,988	163,266	281,254
Prepaid insurance	-	-	-
Loans receivable	30,256	-	30,256
Capital assets:			
Non-depreciable	2,662,865	2,272	2,665,137
Depreciable, net	12,626,626	11,896,546	24,523,172
Total capital assets	<u>15,289,491</u>	<u>11,898,818</u>	<u>27,188,309</u>
Total Assets	<u>18,653,078</u>	<u>14,328,385</u>	<u>32,981,463</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	<u>869,492</u>	<u>95,218</u>	<u>964,710</u>
Total Deferred Outflows of Resources	<u>869,492</u>	<u>95,218</u>	<u>964,710</u>
LIABILITIES			
Accounts payable	306,762	52,993	359,755
Salaries and benefits payable	167,698	16,827	184,525
Interest payable	378	80,117	80,495
Unearned revenue	79,044	-	79,044
Long-term liabilities:			
Due within one year	102,334	149,425	251,759
Due in more than one year	298,849	3,720,464	4,019,313
Net pension liability	<u>4,146,152</u>	<u>598,039</u>	<u>4,744,191</u>
Total Liabilities	<u>5,101,217</u>	<u>4,617,865</u>	<u>9,719,082</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred business loan payments	30,256	-	30,256
Deferred pension adjustments	<u>234,084</u>	<u>51,481</u>	<u>285,565</u>
Total Deferred Inflows of Resources	<u>264,340</u>	<u>51,481</u>	<u>315,821</u>

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Net Position
June 30, 2018

NET POSITION	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets	15,016,130	8,047,259	23,063,389
Restricted for:			
General government	1,497,256	-	1,497,256
Public protection	744,920	-	744,920
Public ways and facilities	181,568	-	181,568
Recreation and culture	46,732	-	46,732
Capital projects	-	33,069	33,069
Debt service	-	346,187	346,187
Unrestricted	(3,329,593)	1,327,742	(2,001,851)
Total Net Position	\$ 14,157,013	\$ 9,754,257	\$ 23,911,270

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

Continued (Page 2 of 2)

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CITY OF NEVADA CITY
Statement of Activities
For the Year Ended June 30, 2018

<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	\$ 1,595,178	\$ 163,568	\$ 498,749	\$ 44,181
Public protection	3,331,031	131,605	(79,966)	-
Public ways and facilities	1,024,150	489,356	246,664	413,468
Recreation and culture	445,451	178,666	-	-
Interest on long-term debt	7,006	-	-	-
Total Governmental Activities	6,402,816	963,195	665,447	457,649
Business-type activities:				
Water	868,324	887,659	-	102,176
Sewer	1,800,934	1,281,507	-	146,766
Total Business-Type Activities	2,669,258	2,169,166	-	248,942
Total	\$ 9,072,074	\$ 3,132,361	\$ 665,447	\$ 706,591

General revenues:

Taxes:

- Property taxes
- Property transfer taxes
- 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
\$ (888,680)	\$ -	\$ (888,680)
(3,279,392)	-	(3,279,392)
125,338	-	125,338
(266,785)	-	(266,785)
(7,006)	-	(7,006)
<u>(4,316,525)</u>	<u>-</u>	<u>(4,316,525)</u>
-	121,511	121,511
-	(372,661)	(372,661)
<u>-</u>	<u>(251,150)</u>	<u>(251,150)</u>
<u>(4,316,525)</u>	<u>(251,150)</u>	<u>(4,567,675)</u>
1,523,232	-	1,523,232
24,388	-	24,388
2,536,290	-	2,536,290
166,131	-	166,131
424,318	-	424,318
2,189	-	2,189
78,229	16,447	94,676
57,568	6,768	64,336
8,915	(8,915)	-
<u>4,821,260</u>	<u>14,300</u>	<u>4,835,560</u>
504,735	(236,850)	267,885
<u>13,652,278</u>	<u>9,991,107</u>	<u>23,643,385</u>
<u>\$ 14,157,013</u>	<u>\$ 9,754,257</u>	<u>\$ 23,911,270</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, 2018

	<u>General</u>	<u>Measure "S"</u>	<u>Measure "C"</u>	<u>CMAQ ST & RD</u>
ASSETS				
Cash and investments	\$ 1,502,100	\$ 14,487	\$ 242,477	\$ -
Receivables:				
Accounts	64,715	-	39	-
Interest	1,535	-	533	-
Taxes	317,199	104,526	76,836	-
Intergovernmental	46,452	-	-	265,754
Prepaid costs	109,784	1,022	7,182	-
Due from other funds	4,920	-	-	-
Loans receivable	-	-	-	-
Total Assets	<u>\$ 2,046,705</u>	<u>\$ 120,035</u>	<u>\$ 327,067</u>	<u>\$ 265,754</u>
LIABILITIES				
Accounts payable	\$ 123,527	\$ 27,229	\$ 1,011	\$ 99,143
Salaries and benefits payable	155,140	627	11,931	-
Interest payable	-	342	-	-
Unearned revenue	79,044	-	-	-
Due to other funds	-	-	-	214,239
Total Liabilities	<u>357,711</u>	<u>28,198</u>	<u>12,942</u>	<u>313,382</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	29,848	-	-	18,934
Deferred business loan payments	-	-	-	-
Total Deferred Inflows of Resources	<u>29,848</u>	<u>-</u>	<u>-</u>	<u>18,934</u>
FUND BALANCES				
Nonspendable	109,784	1,022	7,182	-
Restricted	958,215	90,815	306,943	-
Committed	223,823	-	-	-
Assigned	21,406	-	-	-
Unassigned	345,918	-	-	(66,562)
Total Fund Balances	<u>1,659,146</u>	<u>91,837</u>	<u>314,125</u>	<u>(66,562)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,046,705</u>	<u>\$ 120,035</u>	<u>\$ 327,067</u>	<u>\$ 265,754</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 758,017	\$ 2,517,081
-	64,754
3,073	5,141
25,170	523,731
150,968	463,174
-	117,988
-	4,920
30,256	30,256
<u>\$ 967,484</u>	<u>\$ 3,727,045</u>
\$ 55,852	\$ 306,762
-	167,698
36	378
-	79,044
149,219	363,458
<u>205,107</u>	<u>917,340</u>
156,262	205,044
30,256	30,256
<u>186,518</u>	<u>235,300</u>
-	117,988
456,157	1,812,130
121,302	345,125
123,040	144,446
(124,640)	154,716
<u>575,859</u>	<u>2,574,405</u>
<u>\$ 967,484</u>	<u>\$ 3,727,045</u>

CITY OF NEVADA CITY
Reconciliation of the Governmental Fund Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2018

Total Fund Balance - Total Governmental Funds	\$ 2,574,405
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.	15,289,491
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	205,044
Deferred outflows of resources related to pension are not reported in the governmental funds.	869,492
Deferred inflows of resources related to pension are not reported in the governmental funds.	(234,084)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	(273,361)
Compensated absences payable	(127,822)
Net pension liability	(4,146,152)
Net Position of Governmental Activities	<u>\$ 14,157,013</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, 2018

	<u>General</u>	<u>Measure "S"</u>	<u>Measure "C"</u>	<u>CMAQ ST & RD</u>
REVENUES				
Taxes and assessments	\$ 3,009,426	\$ 638,345	\$ 478,702	\$ -
Licenses and permits	335,016	-	-	-
Fines and forfeitures	108,249	-	-	-
Intergovernmental revenues	196,082	-	-	241,694
Use of money and property	69,404	1,061	985	476
Charges for services	292,976	-	-	-
Other revenues	35,947	-	-	-
Total Revenues	<u>4,047,100</u>	<u>639,406</u>	<u>479,687</u>	<u>242,170</u>
EXPENDITURES				
Current:				
General government	990,240	-	-	-
Public protection	2,427,664	-	239,299	-
Public ways and facilities	337,898	106,137	-	160
Recreation and culture	307,562	-	-	-
Debt service:				
Principal	6,639	-	-	-
Interest	7,006	-	-	-
Capital outlay	57,856	576,663	-	262,224
Total Expenditures	<u>4,134,865</u>	<u>682,800</u>	<u>239,299</u>	<u>262,384</u>
Excess of Revenues Over (Under) Expenditures	<u>(87,765)</u>	<u>(43,394)</u>	<u>240,388</u>	<u>(20,214)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	280,000	-	-	-
Transfers in	170,608	-	-	-
Transfers out	(184,336)	(70,130)	-	-
Total Other Financing Sources (Uses)	<u>266,272</u>	<u>(70,130)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	178,507	(113,524)	240,388	(20,214)
Fund Balances - Beginning	<u>1,480,639</u>	<u>205,361</u>	<u>73,737</u>	<u>(46,348)</u>
Fund Balances - Ending	<u>\$ 1,659,146</u>	<u>\$ 91,837</u>	<u>\$ 314,125</u>	<u>\$ (66,562)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 735,564	\$ 4,862,037
-	335,016
-	108,249
1,198,274	1,636,050
6,303	78,229
3,647	296,623
21,621	57,568
<u>1,965,409</u>	<u>7,373,772</u>
422,200	1,412,440
234,445	2,901,408
26,991	471,186
4,609	312,171
-	6,639
-	7,006
666,561	1,563,304
<u>1,354,806</u>	<u>6,674,154</u>
<u>610,603</u>	<u>699,618</u>
-	280,000
464,981	635,589
(372,208)	(626,674)
<u>92,773</u>	<u>288,915</u>
703,376	988,533
(127,517)	1,585,872
<u>\$ 575,859</u>	<u>\$ 2,574,405</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 988,533
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	1,563,304
Less current year depreciation	(861,635)
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	6,639
Proceeds from issuance of debt	(280,000)
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	(475,136)
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pensions	99,823
Change in deferred inflows of resources related to pensions	26,759
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	39,809
Change in net pension liability	(603,361)
Change in Net Position of Governmental Activities	\$ 504,735

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, 2018

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 170,450	\$ 1,123,692	\$ 1,294,142
Receivables:			
Accounts	145,090	247,191	392,281
Interest	82	5,244	5,326
Due from other funds	-	574,553	574,553
Prepaid costs	8,799	154,467	163,266
Total Current Assets	324,421	2,105,147	2,429,568
Noncurrent Assets:			
Non-depreciable	-	2,272	2,272
Depreciable, net	2,700,597	9,195,949	11,896,546
Total Noncurrent Assets	2,700,597	9,198,221	11,898,818
Total Assets	3,025,018	11,303,368	14,328,386
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	29,033	66,185	95,218
Total Deferred Outflows of Resources	29,033	66,185	95,218
LIABILITIES			
Current Liabilities:			
Accounts payable	16,741	36,252	52,993
Salaries and benefits payable	5,779	11,048	16,827
Interest payable	296	79,821	80,117
Due to other funds	1	-	1
Compensated absences	4,275	8,556	12,831
Loans payable	-	71,594	71,594
Certificates of participation	-	65,000	65,000
Total Current Liabilities	27,092	272,271	299,363
Noncurrent Liabilities:			
Compensated absences	1,832	3,667	5,499
Loans payable	-	353,965	353,965
Certificates of participation	-	3,361,000	3,361,000
Net pension liability	226,661	371,378	598,039
Total Noncurrent Liabilities	228,493	4,090,010	4,318,503
Total Liabilities	255,585	4,362,281	4,617,866

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	20,606	30,875	51,481
Total Deferred Inflows of Resources	20,606	30,875	51,481
NET POSITION			
Net investment in capital assets	2,700,597	5,346,662	8,047,259
Restricted for capital projects	33,069	-	33,069
Restricted for debt service	50,000	296,187	346,187
Unrestricted	(5,806)	1,333,548	1,327,742
Total Net Position	\$ 2,777,860	\$ 6,976,397	\$ 9,754,257

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

Continued (Page 2 of 2)

CITY OF NEVADA CITY
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 887,659	\$ 1,281,507	\$ 2,169,166
Other revenues	6,768	-	6,768
Total Operating Revenues	<u>894,427</u>	<u>1,281,507</u>	<u>2,175,934</u>
OPERATING EXPENSES			
Salaries and benefits	239,291	421,266	660,557
Supplies	69,768	81,236	151,004
Power	94,350	188,110	282,460
Repairs and maintenance	28,484	22,234	50,718
Professional services	96,867	161,333	258,200
Insurance	11,953	25,109	37,062
Depreciation	196,095	456,895	652,990
Other expenses	131,516	276,548	408,064
Total Operating Expenses	<u>868,324</u>	<u>1,632,731</u>	<u>2,501,055</u>
Operating Income (Loss)	<u>26,103</u>	<u>(351,224)</u>	<u>(325,121)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	102,176	146,766	248,942
Interest income	(1,484)	17,931	16,447
Interest expense	-	(168,203)	(168,203)
Total Non-Operating Revenues (Expenses)	<u>100,692</u>	<u>(3,506)</u>	<u>97,186</u>
Income (Loss) Before Transfers	<u>126,795</u>	<u>(354,730)</u>	<u>(227,935)</u>
Transfers out	(8,915)	-	(8,915)
Change in Net Position	<u>117,880</u>	<u>(354,730)</u>	<u>(236,850)</u>
Total Net Position - Beginning	<u>2,659,980</u>	<u>7,331,127</u>	<u>9,991,107</u>
Total Net Position - Ending	<u><u>\$ 2,777,860</u></u>	<u><u>\$ 6,976,397</u></u>	<u><u>\$ 9,754,257</u></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, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 889,970	\$ 1,306,640	\$ 2,196,610
Payments to suppliers	(680,180)	(1,006,654)	(1,686,834)
Payments to employees	(210,018)	(393,329)	(603,347)
Net Cash Provided (Used) by Operating Activities	(228)	(93,343)	(93,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants, assessments, and other receipts	521,077	168,000	689,077
Transfers to other funds	(8,915)	-	(8,915)
Interfund loans made	-	(574,553)	(574,553)
Interfund loans received	1	1,449,097	1,449,098
Interfund loans repaid	(327,260)	-	(327,260)
Net Cash Provided (Used) by Noncapital Financing Activities	184,903	1,042,544	1,227,447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(38,590)	(252,570)	(291,160)
Principal paid on debt	-	(127,927)	(127,927)
Interest paid on debt	(115)	(163,809)	(163,924)
Net Cash Provided (Used) by Capital and Related Financing Activities	(38,705)	(544,306)	(583,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	(1,545)	14,667	13,122
Net Cash Provided (Used) by Investing Activities	(1,545)	14,667	13,122
Net Increase (Decrease) in Cash and Cash Equivalents	144,425	419,562	563,987
Balances - Beginning	26,025	704,130	730,155
Balances - Ending	\$ 170,450	\$ 1,123,692	\$ 1,294,142

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 26,103	\$ (351,224)	\$ (325,121)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	196,095	456,895	652,990
Decrease (increase) in:			
Accounts receivable	(4,457)	25,133	20,676
Prepaid costs	(7,518)	(151,517)	(159,035)
Prepaid insurance	1,358	3,423	4,781
Pension adjustments - deferred outflows	(5,785)	8,840	3,055
Increase (decrease) in:			
Accounts payable	(241,082)	(103,990)	(345,072)
Salaries and benefits payable	(132)	(3)	(135)
Compensated absences	(1,152)	(846)	(1,998)
Net pension liability	38,272	26,000	64,272
Pension adjustments - deferred inflows	(1,930)	(6,054)	(7,984)
Net Cash Provided (Used) by Operating Activities	\$ (228)	\$ (93,343)	\$ (93,571)

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

Continued (Page 2 of 2)

CITY OF NEVADA CITY
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2018

	<u>CABY Misc Agency</u>
ASSETS	
Receivables:	
Intergovernmental	\$ 315,417
Total Assets	<u>315,417</u>
LIABILITIES	
Accounts payable	103,038
Due to other funds	<u>216,014</u>
Total Liabilities	<u>319,052</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	<u>315,417</u>
Total Deferred Inflows of Resources	<u>315,417</u>
NET POSITION	
Net position held in trust	<u>(319,052)</u>
Total Net Position	<u><u>\$ (319,052)</u></u>

CITY OF NEVADA CITY
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended June 30, 2018

	<u>CABY Misc Agency</u>
ADDITIONS	
Intergovernmental revenues	\$ 244,316
Total Additions	<u>244,316</u>
DEDUCTIONS	
Program expenses	<u>233,879</u>
Total Deductions	<u>233,879</u>
Change in Net Position	10,437
Net Position - Beginning	<u>(329,489)</u>
Net Position - Ending	<u><u>\$ (319,052)</u></u>

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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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was incorporated April 19, 1856, under the provisions of the statutes of the State of California. The City operates under a Council form of government and provides the following services: public safety, highways and streets, culture and 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 authority 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 the 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 and one fire district. 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 participant in Northern California Cities Self-Insurance Fund (NCCSIF), the purpose of which is for members cities to share in the administrative costs of providing liability and workers' compensation insurance. The NCCSIF is governed by a board of directors appointed by the member cities. Complete financial information can be obtained from the Program Administrator, 2180 Harvard Street, Suite 460, Sacramento, CA 95815. 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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Agencies (Continued)

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, City of Nevada City, 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.

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 Nevada City. 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. 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 intergovernmental 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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds. Funds are organized into three major categories: governmental, proprietary and fiduciary. 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.

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". Funding comes primarily from Measure "S" tax revenues.
- The Measure "C" fund is a special revenue fund used to account for revenues and expenditures related to Measure "C". Funding comes primarily from Measure "C" tax revenues.
- The CMAQ ST & RD fund is a special revenue fund used to account for revenue and expenditures related to the CMAQ grant program. Funding comes primarily from State and Federal grant revenues.

The City reports the following major proprietary funds:

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

The City reports the following additional fund type:

- Private Purpose Trust fund accounts for property held under a trust arrangement under which principal and income benefit individuals, private organizations or other governments. The Private Purpose Trust fund includes the CABY Misc Agency Fund.

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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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 asset 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.

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 and Cash Equivalents

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. 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.

Investment transactions are recorded on the trade date. The fair value of investments is determined annually. Investments in nonparticipating interest-earning investment contracts are reported at cost; short term investments are reported at amortized cost, investments in the State of California Local Agency Investment Fund, an external pool, are reported at amortized cost which approximates fair value, and the fair value of all other investments are obtained by using quotations obtained from independent published sources or by the safekeeping institution. The fair value represents the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (Continued)

Income from pooled investments is allocated to the individual funds based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Income from non-pooled investments is recorded based on the specific investments held by the fund.

G. Receivables

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

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

H. 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 Items

Payments made for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items 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. The City records both prepaid costs for expenditures/expenses paid for services that will benefit future periods and prepaid insurance for the net investment in a joint powers self insurance agency.

I. Business Loans Receivable

A total of \$30,256 was recorded as loans receivable at June 30, 2018. These represent low interest notes and related accrued interest to finance business start-up costs. Loan terms are 15 years with interest rates at 3.25 percent. The primary source of funding for these loans comes from grants from the federal Community Development Block Grant (CDBG) program. The CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements. Due to the terms of the loans, an offsetting deferred inflows of resources of \$30,256 has been established in the Governmental Funds Balance Sheet for the business loan principal and interest payments.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition 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 lives 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.

K. 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.

L. 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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Transactions (Continued)

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.

M. 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.

N. Compensated Absences and Other Postemployment Benefits

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from City service. Employees accumulate sick leave during employment with the City, however, this benefit does not vest with the employee. The 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 other postemployment healthcare or other nonpension benefits.

O. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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) until then. The City has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

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 City has three types of items which qualify for reporting in this category. One 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. The second item relates to the inflows from changes in the net pension liability and is reportable on the Statements of Net Position. The third item relates to the total business loan principal and interest receivable amount and is reportable on the Statement of Net Position as well as on the governmental funds balance sheet.

Q. Estimates

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

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

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Implementation of Governmental Accounting Standards Board Statements (GASB) (Continued)

Statement No. 86, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

The following major governmental fund had a deficit fund balance:

The CMAQ ST & RD fund had a fund balance deficit of \$66,562, which is expected to be eliminated in the future through grant revenues.

The following nonmajor governmental funds had deficit fund balances:

The Nevada Main Project fund had a fund balance deficit of \$77,094, which is expected to be eliminated in the future through increased revenues.

The UST Project fund had a fund balance deficit of \$30, which is expected to be eliminated in the future through increased revenues.

The CalFire Grant fund had a fund balance deficit of \$10,751, which is expected to be eliminated in the future through grant reimbursements.

The Little Deer Creek fund had a fund balance deficit of \$8,860, which is expected to be eliminated in the future through increased revenues.

The NC Recreation fund had a fund balance deficit of \$3, which is expected to be eliminated in the future through increased revenues.

The CDBG Enterprise fund had a fund balance deficit of \$27,902, which is expected to be eliminated in the future through increased revenues.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2018, the City's cash and investments are reported in the financial statements as follows:

Governmental activities	\$ 2,517,081
Business-type activities	<u>1,294,142</u>
Total Cash and Investments	<u><u>\$ 3,811,223</u></u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

A. Financial Statement Presentation (Continued)

As of June 30, 2018, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 900
Deposits (less outstanding checks)	<u>2,325,061</u>
Total Cash	<u>2,325,961</u>
Investments:	
Certificates of deposit	991,000
Local Agency Investment Fund	<u>494,262</u>
Total Investments	<u>1,485,262</u>
Total Cash and Investments	<u>\$ 3,811,223</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 \$2,325,061 and the bank balance was \$2,906,246. 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 \$900.

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 the 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. 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
- Securities of the U.S. Government or its Agencies
- Local Agency Investment Fund (LAIF)
- Certificates of Deposit

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value of Investments - The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The City's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the City's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2018, the City had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Certificates of Deposit	\$ 991,000	\$ 991,000	\$ -	\$ -
Total Investments Measured at Fair Value	991,000	<u>\$ 991,000</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
LAIF	<u>494,262</u>			
Total Investments	<u>\$ 1,485,262</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit the 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, 2018, the City had the following investments, all of which had a maturity of 5 years or less:

<u>Investment Type</u>	<u>Interest Rates</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>		
Certificates of Deposit	0.65-1.80%	\$ 991,000	\$ -	\$ 991,000	.43
LAIF	Variable	<u>494,262</u>	<u>-</u>	<u>494,262</u>	<u>-</u>
Total Investments		<u>\$ 1,485,262</u>	<u>\$ -</u>	<u>\$ 1,485,262</u>	<u>.29</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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 California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Certificates of Deposit	N/A	Unrated	Unrated	66.72%
LAIF	N/A	Unrated	Unrated	33.28%
Total				<u>100.00%</u>

Custodial Credit Risk - 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.

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, 2018, that represent 5 percent or more of total City investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>% of Investments</u>
Certificates of Deposit	\$ 991,000	66.72%

D. Investment in External Investment Pool

The City of Nevada City maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2018, the City's investment in LAIF valued at amortized cost was \$494,262 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$88.8 billion. Of that amount, 97.33 percent is invested in non-derivative financial products and 2.67 percent in structured notes and asset-backed securities.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,630,332	\$ -	\$ -	\$ 1,630,332
Construction in progress	<u>576,522</u>	<u>927,455</u>	<u>(471,444)</u>	<u>1,032,533</u>
Total Capital Assets, Not Being Depreciated	<u>2,206,854</u>	<u>927,455</u>	<u>(471,444)</u>	<u>2,662,865</u>
Capital Assets, Being Depreciated:				
Land improvements/infrastructure	12,881,392	577,994	471,444	13,930,830
Building and improvements	4,937,749	53,000	-	4,990,749
Equipment	783,939	4,855	-	788,794
Software	42,041	-	-	42,041
Vehicles	<u>1,592,454</u>	<u>-</u>	<u>-</u>	<u>1,592,454</u>
Total Capital Assets, Being Depreciated	<u>20,237,575</u>	<u>635,849</u>	<u>471,444</u>	<u>21,344,868</u>
Less Accumulated Depreciation for:				
Land improvements/infrastructure	(4,249,191)	(523,086)	-	(4,772,277)
Buildings and improvements	(1,826,114)	(131,605)	-	(1,957,719)
Equipment	(658,713)	(41,571)	-	(700,284)
Software	(42,041)	-	-	(42,041)
Vehicles	<u>(1,080,548)</u>	<u>(165,373)</u>	<u>-</u>	<u>(1,245,921)</u>
Total Accumulated Depreciation	<u>(7,856,607)</u>	<u>(861,635)</u>	<u>-</u>	<u>(8,718,242)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,380,968</u>	<u>(225,786)</u>	<u>471,444</u>	<u>12,626,626</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,587,822</u>	<u>\$ 701,669</u>	<u>\$ -</u>	<u>\$ 15,289,491</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 10	\$ -	(\$ 10)	\$ -
Construction in progress	<u>-</u>	<u>2,272</u>	<u>-</u>	<u>2,272</u>
Total Capital Assets, Not Being Depreciated	<u>10</u>	<u>2,272</u>	<u>(10)</u>	<u>2,272</u>
Capital Assets, Being Depreciated:				
Structures and improvements	20,486,942	289,067	10	20,776,019
Equipment	2,778,412	-	-	2,778,412
Vehicles	<u>130,864</u>	<u>-</u>	<u>-</u>	<u>130,864</u>
Total Capital Assets, Being Depreciated	<u>23,396,218</u>	<u>289,067</u>	<u>10</u>	<u>23,685,295</u>
Less Accumulated Depreciation for:				
Structures and improvements	(9,432,864)	(557,571)	-	(9,990,435)
Equipment	(1,572,031)	(95,419)	-	(1,667,450)
Vehicles	<u>(130,864)</u>	<u>-</u>	<u>-</u>	<u>(130,864)</u>
Total Accumulated Depreciation	<u>(11,135,759)</u>	<u>(652,990)</u>	<u>-</u>	<u>(11,788,749)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,260,459</u>	<u>(363,923)</u>	<u>10</u>	<u>11,896,546</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,260,469</u>	<u>(\$ 361,651)</u>	<u>\$ -</u>	<u>\$ 11,898,818</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 58,343
Public safety	188,646
Public ways and facilities	525,797
Recreation and culture	<u>88,849</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 861,635</u>

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

Water	\$ 196,095
Sewer	<u>456,895</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 652,990</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 to the sewer mixer project.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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 from and due to balances as of June 30, 2018:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 4,920	\$ -
CMAQ ST & RD	-	214,239
Nonmajor Governmental Funds	-	149,219
Water	-	1
Sewer	574,553	-
Private Purpose Trust	-	216,014
	<u>579,473</u>	<u>579,473</u>
Total	<u>\$ 579,473</u>	<u>\$ 579,473</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2018:

	Transfer In	Transfer Out
General Fund	\$ 170,608	\$ 184,336
Measure "S"	-	70,130
Nonmajor Governmental Funds	464,981	372,208
Water Fund	-	8,915
	<u>635,589</u>	<u>635,589</u>
Total	<u>\$ 635,589</u>	<u>\$ 635,589</u>

NOTE 6: UNEARNED REVENUE

At June 30, 2018, components of unearned revenue were as follows:

	Unearned
General Fund	
July and August 2018 Swim Lessons	\$ 14,822
July 2018 Camp Revenues	12,492
July 2018 Park Fees	3,900
2018-2019 Business License Revenue	43,517
August 2018 Veteran's Building Rent	565
Downtown Employee Parking Permit Fees	540
Mandated Costs	<u>3,208</u>
Total Unearned	<u>\$ 79,044</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2017</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 167,631	\$ 95,977	(\$ 135,786)	\$ 127,822	\$ 89,476
Loans	-	280,000	(6,639)	273,361	12,858
Total Governmental Activities	<u>\$ 167,631</u>	<u>\$ 375,977</u>	<u>(\$ 142,425)</u>	<u>\$ 401,183</u>	<u>\$ 102,334</u>
Business-Type Activities					
Compensated Absences	\$ 20,328	\$ 18,551	(\$ 20,549)	\$ 18,330	\$ 12,831
Loans	491,487	-	(65,928)	425,559	71,594
Certificates of Participation	3,488,000	-	(62,000)	3,426,000	65,000
Total Business-Type Activities	<u>\$ 3,999,815</u>	<u>\$ 18,551</u>	<u>(\$ 148,477)</u>	<u>\$ 3,869,889</u>	<u>\$ 149,425</u>

Compensated absences are generally liquidated by the fund where the accrued liability occurred. The capital lease liability is liquidated by lease payments made by the department leasing the equipment.

Individual issues of debt payable outstanding at June 30, 2018, are as follows:

Governmental Activities

Loans:

Tri Counties Bank loan, dated December 19, 2017, payable in monthly installments of \$2,274 to \$121,588 with an interest rate of 5.33% and maturity of December 19, 2027. This loan was used to finance the purchase of real property.

\$ 273,361

Total Loans

273,361

Total Governmental Activities

\$ 273,361

Business-Type Activities

Loans:

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.

\$ 425,559

Total Loans

425,559

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.

1,861,000

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM LIABILITIES (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>1,565,000</u>
Total Certificates of Participation	<u>3,426,000</u>
Total Business-Type Activities	<u>\$ 3,851,559</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.

Governmental Activities

Year Ended <u>June 30</u>	Loans Payable		
	Principal	Interest	Total
2019	\$ 12,858	\$ 14,431	\$ 27,289
2020	13,501	13,788	27,289
2021	14,287	13,002	27,289
2022	15,078	12,210	27,288
2023	15,913	11,376	27,289
2024-2027	201,724	39,698	241,422
Total	\$ 273,361	\$ 104,505	\$ 377,866

Business-Type Activities

Year Ended <u>June 30</u>	Loans Payable		
	Principal	Interest	Total
2019	\$ 71,594	\$ 16,037	\$ 87,631
2020	72,227	13,085	85,312
2021	60,920	10,352	71,272
2022	52,677	8,021	60,698
2023	52,440	5,864	58,304
2024-2026	115,701	5,898	121,599
Total	\$ 425,559	\$ 59,257	\$ 484,816

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities (Continued)

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2019	\$ 65,000	\$ 142,286	\$ 207,286
2020	67,000	139,517	206,517
2021	70,000	136,644	206,644
2022	74,000	133,624	207,624
2023	76,000	130,479	206,479
2024-2028	433,000	600,574	1,033,574
2029-2033	531,000	499,821	1,030,821
2034-2038	653,000	375,993	1,028,993
2039-2043	801,000	223,970	1,024,970
2044-2047	656,000	49,239	705,239
Total	\$ 3,426,000	\$ 2,432,147	\$ 5,858,147

NOTE 8: NET POSITION

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

- **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. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **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 \$2,849,732 of restricted net position, of which \$722,169 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 are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 9: 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, 2018, fund balances 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.
- **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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 9: FUND BALANCES (CONTINUED)

The fund balances for all the major and nonmajor governmental funds as of June 30, 2018, were distributed as follows:

	General Fund	Measure "S"	Measure "C"	CMAQ ST & RD	Other Governmental Funds	Total
Nonspendable:						
Prepaid costs	\$ 109,784	\$ 1,022	\$ 7,182	\$ -	\$ -	\$ 117,988
Subtotal	<u>109,784</u>	<u>1,022</u>	<u>7,182</u>	<u>-</u>	<u>-</u>	<u>117,988</u>
Restricted for:						
General reserve	958,215	-	-	-	-	958,215
Measure "S"	-	90,815	-	-	-	90,815
Measure "C"	-	-	306,943	-	-	306,943
AB1600	-	-	-	-	79,717	79,717
P&R Quimby	-	-	-	-	28,203	28,203
Gas Tax	-	-	-	-	59,574	59,574
Traffic Relief	-	-	-	-	3,659	3,659
Traffic Mitigation	-	-	-	-	4,993	4,993
FEMA	-	-	-	-	899	899
Brownfields	-	-	-	-	8,209	8,209
Fire Dept	-	-	-	-	1	1
SLESF	-	-	-	-	46,133	46,133
Measure "L"	-	-	-	-	222,737	222,737
Bicentennial	-	-	-	-	2,032	2,032
Subtotal	<u>958,215</u>	<u>90,815</u>	<u>306,943</u>	<u>-</u>	<u>456,157</u>	<u>1,812,130</u>
Committed to:						
General reserve	223,823	-	-	-	-	223,823
Prop 172	-	-	-	-	121,302	121,302
Subtotal	<u>223,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,302</u>	<u>345,125</u>
Assigned to:						
Fire Department	21,406	-	-	-	-	21,406
Park & Rec Raffle	-	-	-	-	21,505	21,505
Indian Trail	-	-	-	-	45,942	45,942
MATHIVET	-	-	-	-	37,064	37,064
Becker	-	-	-	-	18,529	18,529
Subtotal	<u>21,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,040</u>	<u>144,446</u>
Unassigned	<u>354,918</u>	<u>-</u>	<u>-</u>	<u>(66,562)</u>	<u>(124,640)</u>	<u>154,716</u>
Total	<u>\$ 1,659,146</u>	<u>\$ 91,837</u>	<u>\$ 314,125</u>	<u>(\$ 66,562)</u>	<u>\$ 575,859</u>	<u>\$ 2,574,405</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 9: 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 are 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 10: FUND BALANCES

A. General Information About the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Safety police, Safety fire, and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the City added retirement tiers for both the Miscellaneous and Safety Rate Tiers 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. The cumulative effect of these PEPRA changes will ultimately reduce the City's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment

Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety employees hired on or after January 1, 2013

Closed to New Enrollment

Miscellaneous First Tier	Miscellaneous members hired before July 1, 2008
Miscellaneous Second Tier	Miscellaneous members hired after July 1, 2008 and before January 1, 2013
Safety First Tier	Safety employees hired before January 1, 2013

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: PENSION PLAN (CONTINUED)

A. General Information About the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous First Tier	2.5% @ 55	50-55	2.000% to 2.500%
Miscellaneous Second Tier	2.0% @ 60	50-63	1.462% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	50-62	1.000% to 2.500%
Safety First Tier	3.0% @ 50	50	3.000%
Safety Second Tier	2.0% @ 50	50	2.700%
Safety PEPRA	2.0% @ 57	50-57	1.426% to 2.000%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Rate Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous First Tier	10.110%	8.000%	4.000%
Miscellaneous Second Tier	7.653%	7.000%	4.000%
Miscellaneous PEPRA	6.533%	6.250%	0.000%
Safety First Tier	19.723%	9.000%	2.500%
Safety Second Tier	13.012%	7.000%	0.000%
Safety PEPRA	9.513%	9.500%	0.000%

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 84,288	\$ 10,931
Safety	171,312	13,898

As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,180,065
Safety	2,564,126
Total Net Pension Liability	<u>\$ 4,744,191</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>Proportion June 30, 2016</u>	<u>Proportion June 30, 2017</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.02167%	.02198%	.00031%
Safety	.02544%	.02586%	.00041%

For the year ended June 30, 2018, the City recognized pension expense of \$787,067. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 250,947	\$ -
Changes of assumptions	548,715	(57,700)
Differences between expected and actual experience	-	(14,984)
Differences between projected and actual earnings on pension plan investments	165,048	-
Difference between City contributions and proportionate share of contributions	-	(158,445)
Adjustment due to differences in proportions	-	(54,436)
Total	<u>\$ 964,710</u>	<u>(\$ 285,565)</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

\$250,947 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2019	(\$ 333)
2020	335,782
2021	183,889
2022	(91,140)
Thereafter	<u>-</u>
Total	<u>\$ 428,198</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions

In fiscal year 2017-18, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	<u>2.0%</u>	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>6.15%</u>	Discount Rate <u>7.15%</u>	1% Increase <u>8.15%</u>
Miscellaneous	\$ 3,266,818	\$ 2,180,065	\$ 1,279,996
Safety	3,935,098	2,564,126	1,443,415

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 11: 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 and one fire district. 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 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. 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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: RISK MANAGEMENT (CONTINUED)

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, 2018 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

NOTE 12: 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

Management has evaluated events subsequent to June 30, 2018 through March 5, 2019, 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
City Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018
Last 10 Years*

Measurement Date	2013/14	2014/15	2015/16	2016/17
Miscellaneous				
Proportion of the net pension liability	0.01804%	0.02177%	0.02167%	0.02198%
Proportionate share of the net pension liability	\$ 1,122,916	\$ 1,493,988	\$ 1,875,107	\$ 2,180,065
Covered employee payroll	862,176	862,176	995,977	1,099,996
Proportionate share of the net pension liability as a percentage of covered employee payroll	130.24%	173.28%	188.27%	198.19%
Plan fiduciary net position as a percentage of the total pension liability	83.03%	77.85%	72.83%	72.41%
Safety				
Proportion of the net pension liability	0.02352%	0.02492%	0.02544%	0.02586%
Proportionate share of the net pension liability	\$ 1,463,261	\$ 1,710,177	\$ 2,201,448	\$ 2,564,126
Covered employee payroll	768,634	768,634	862,620	1,093,546
Proportionate share of the net pension liability as a percentage of covered employee payroll	190.37%	222.50%	255.20%	234.48%
Plan fiduciary net position as a percentage of the total pension liability	81.42%	79.35%	74.23%	73.83%

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only four years are shown.

CITY OF NEVADA CITY
Required Supplementary Information
City Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2018
Last 10 Years*

Fiscal Year	2014/15	2015/16	2016/17	2017/18
Miscellaneous				
Contractually required contribution (actuarially determined)	\$ 181,437	\$ 97,496	\$ 90,566	\$ 81,318
Contributions in relation to the actuarially determined contributions	<u>(181,437)</u>	<u>(166,038)</u>	<u>(169,811)</u>	<u>(179,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (68,542)</u>	<u>\$ (79,245)</u>	<u>\$ (98,198)</u>
Covered employee payroll	\$ 862,176	\$ 995,977	\$ 1,099,996	\$ 1,027,277
Contributions as a percentage of covered employee payroll	21.04%	9.79%	8.23%	7.92%
Safety				
Contractually required contribution (actuarially determined)	\$ 215,552	\$ 168,034	\$ 178,728	\$ 185,339
Contributions in relation to the actuarially determined contributions	<u>(215,552)</u>	<u>(236,825)</u>	<u>(261,455)</u>	<u>(292,094)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (68,791)</u>	<u>\$ (82,727)</u>	<u>\$ (106,755)</u>
Covered employee payroll	\$ 768,634	\$ 862,620	\$ 1,093,546	\$ 1,144,360
Contributions as a percentage of covered employee payroll	28.04%	19.48%	16.34%	16.20%

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only four years are shown.

CITY OF NEVADA CITY
Required Supplementary Information
Notes to City Pension Plan
For the Year Ended June 30, 2018

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Changes of assumptions: In 2017-18, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016-17, there were no changes. In 2015-16, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense).

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry-Age Normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report
Asset valuation method	Market value
Inflation	2.75% compounded annually
Salary increases	Varies by entry-age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 2,881,735	\$ 2,883,235	\$ 3,009,426	\$ 126,191
Licenses and permits	247,015	240,965	335,016	94,051
Fines and forfeitures	160,800	25,800	108,249	82,449
Intergovernmental revenues	93,564	67,864	196,082	128,218
Use of money and property	53,215	53,215	69,404	16,189
Charges for services	287,400	323,350	292,976	(30,374)
Other revenues	772,500	296,800	35,947	(260,853)
Total Revenues	<u>4,496,229</u>	<u>3,891,229</u>	<u>4,047,100</u>	<u>155,871</u>
EXPENDITURES				
Current:				
General government	908,258	848,293	990,240	(141,947)
Public protection	2,235,122	2,235,122	2,427,664	(192,542)
Public ways and facilities	301,530	361,495	337,898	23,597
Recreation and culture	648,082	648,082	307,562	340,520
Debt service:				
Principal	-	-	6,639	(6,639)
Interest	-	-	7,006	(7,006)
Capital outlay	521,750	521,750	57,856	463,894
Total Expenditures	<u>4,614,742</u>	<u>4,614,742</u>	<u>4,134,865</u>	<u>479,877</u>
Excess of Revenues Over (Under) Expenditures	<u>(118,513)</u>	<u>(723,513)</u>	<u>(87,765)</u>	<u>635,748</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	280,000	280,000
Transfers in	172,500	172,500	170,608	(1,892)
Transfers out	-	(175,467)	(184,336)	(8,869)
Total Other Financing Sources (Uses)	<u>172,500</u>	<u>(2,967)</u>	<u>266,272</u>	<u>269,239</u>
Net Change in Fund Balances	53,987	(726,480)	178,507	904,987
Fund Balances - Beginning	<u>1,480,639</u>	<u>1,480,639</u>	<u>1,480,639</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,534,626</u>	<u>\$ 754,159</u>	<u>\$ 1,659,146</u>	<u>\$ 904,987</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "S" - Major Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 629,000	\$ 629,000	\$ 638,345	\$ 9,345
Use of money and property	150	150	1,061	911
Total Revenues	<u>629,150</u>	<u>629,150</u>	<u>639,406</u>	<u>10,256</u>
EXPENDITURES				
Current:				
Public ways and facilities	312,841	312,841	106,137	206,704
Capital outlay	254,500	254,500	576,663	(322,163)
Total Expenditures	<u>567,341</u>	<u>567,341</u>	<u>682,800</u>	<u>(115,459)</u>
Excess of Revenues Over (Under) Expenditures	<u>61,809</u>	<u>61,809</u>	<u>(43,394)</u>	<u>(105,203)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(58,000)	(58,000)	(70,130)	(12,130)
Total Other Financing Sources (Uses)	<u>(58,000)</u>	<u>(58,000)</u>	<u>(70,130)</u>	<u>(12,130)</u>
Net Change in Fund Balances	3,809	3,809	(113,524)	(117,333)
Fund Balances - Beginning	<u>205,361</u>	<u>205,361</u>	<u>205,361</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 209,170</u>	<u>\$ 209,170</u>	<u>\$ 91,837</u>	<u>\$ (117,333)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "C" - Major Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 465,000	\$ 465,000	\$ 478,702	\$ 13,702
Use of money and property	-	-	985	985
Total Revenues	<u>465,000</u>	<u>465,000</u>	<u>479,687</u>	<u>14,687</u>
EXPENDITURES				
Current:				
Public protection	361,244	361,244	239,299	121,945
Capital outlay	50,000	50,000	-	50,000
Total Expenditures	<u>411,244</u>	<u>411,244</u>	<u>239,299</u>	<u>171,945</u>
Net Change in Fund Balance	53,756	53,756	240,388	186,632
Fund Balance - Beginning	<u>73,737</u>	<u>73,737</u>	<u>73,737</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 127,493</u>	<u>\$ 127,493</u>	<u>\$ 314,125</u>	<u>\$ 186,632</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
CMAQ ST & RD - Major Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 412,000	\$ 412,000	\$ 241,694	\$ (170,306)
Use of money and property	(1,500)	(1,500)	476	1,976
Total Revenues	<u>410,500</u>	<u>410,500</u>	<u>242,170</u>	<u>(168,330)</u>
EXPENDITURES				
Current:				
Public ways and facilities	-	-	160	(160)
Capital outlay	420,000	420,000	262,224	157,776
Total Expenditures	<u>420,000</u>	<u>420,000</u>	<u>262,384</u>	<u>157,616</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,500)</u>	<u>(9,500)</u>	<u>(20,214)</u>	<u>(10,714)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	8,000	-	(8,000)
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Net Change in Fund Balances	<u>(1,500)</u>	<u>(1,500)</u>	<u>(20,214)</u>	<u>(18,714)</u>
Fund Balances - Beginning	<u>(46,348)</u>	<u>(46,348)</u>	<u>(46,348)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (47,848)</u>	<u>\$ (47,848)</u>	<u>\$ (66,562)</u>	<u>\$ (18,714)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2018

NOTE 1: 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.

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2018, the City incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
Measure "S"	\$ 567,341	\$ 682,800	\$ 115,459

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, 2018

	AB 1600	P & R Quimby	Donation Project	Nevada Main Project
ASSETS				
Cash and investments	\$ 79,441	\$ 28,128	\$ 21,451	\$ 79,576
Receivables:				
Interest	276	75	54	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	53,827
Loans receivable	-	-	-	-
Total Assets	\$ 79,717	\$ 28,203	\$ 21,505	\$ 133,403
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 38,906
Interest payable	-	-	-	-
Due to other funds	-	-	-	94,518
Total Liabilities	-	-	-	133,424
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	77,073
Deferred business loan payments	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	77,073
FUND BALANCES				
Restricted	79,717	28,203	-	-
Committed	-	-	-	-
Assigned	-	-	21,505	-
Unassigned	-	-	-	(77,094)
Total Fund Balances	79,717	28,203	21,505	(77,094)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 79,717	\$ 28,203	\$ 21,505	\$ 133,403

Gas Tax Streets	TDA Funds	Local Pedestrian & Bicycle	Traffic Relief	Regional Traffic Mitigation	FEMA	Indian Trails	UST Project
\$ 51,399	\$ -	\$ -	\$ 3,649	\$ 4,978	\$ 899	\$ 45,822	\$ -
76	-	-	10	15	-	124	-
13,323	-	-	-	-	-	-	-
-	-	-	-	-	44,181	-	-
-	-	-	-	-	-	-	-
<u>\$ 64,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 4,993</u>	<u>\$ 45,080</u>	<u>\$ 45,946</u>	<u>\$ -</u>
\$ 5,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -
-	-	-	-	-	-	-	30
1	-	-	-	-	-	-	-
<u>5,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>30</u>
-	-	-	-	-	44,181	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	44,181	-	-
59,574	-	-	3,659	4,993	899	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	45,942	-
-	-	-	-	-	-	-	(30)
<u>59,574</u>	<u>-</u>	<u>-</u>	<u>3,659</u>	<u>4,993</u>	<u>899</u>	<u>45,942</u>	<u>(30)</u>
<u>\$ 64,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 4,993</u>	<u>\$ 45,080</u>	<u>\$ 45,946</u>	<u>\$ -</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<u>Calfire Grant</u>	<u>LWCF Pool Rehab</u>	<u>Little Deer Creek</u>	<u>Brownsfield 10</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Interest	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	3,647	-	5,821	15,378
Loans receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 3,647</u>	<u>\$ -</u>	<u>\$ 5,821</u>	<u>\$ 15,378</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,799	\$ 2,560
Interest payable	6	-	-	-
Due to other funds	10,745	-	7,061	4,069
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>10,751</u>	<u>-</u>	<u>8,860</u>	<u>6,629</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	3,647	-	5,821	540
Deferred business loan payments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u>3,647</u>	<u>-</u>	<u>5,821</u>	<u>540</u>
FUND BALANCES				
Restricted	-	-	-	8,209
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(10,751)	-	(8,860)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>(10,751)</u>	<u>-</u>	<u>(8,860)</u>	<u>8,209</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,647</u>	<u>\$ -</u>	<u>\$ 5,821</u>	<u>\$ 15,378</u>

Tax - Fire Dept.	2003 Fire Tax	NC Recreation	CDBG Enterprise	CABY Nevada City	Prop 172	MATHIVET	SLESF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,885	\$ 41,439	\$ 45,678
-	-	-	-	-	303	112	455
1,683	3,238	-	-	-	-	-	-
-	-	-	-	-	3,114	-	25,000
-	-	-	30,256	-	-	-	-
<u>\$ 1,683</u>	<u>\$ 3,238</u>	<u>\$ -</u>	<u>\$ 30,256</u>	<u>\$ -</u>	<u>\$ 121,302</u>	<u>\$ 41,551</u>	<u>\$ 71,133</u>
\$ -	\$ -	\$ -	-	-	\$ -	\$ 4,487	\$ -
-	-	-	-	-	-	-	-
1,682	3,238	3	27,902	-	-	-	-
1,682	3,238	3	27,902	-	-	4,487	-
-	-	-	-	-	-	-	25,000
-	-	-	30,256	-	-	-	-
-	-	-	30,256	-	-	-	25,000
1	-	-	-	-	-	-	46,133
-	-	-	-	-	121,302	-	-
-	-	-	-	-	-	37,064	-
-	-	(3)	(27,902)	-	-	-	-
1	-	(3)	(27,902)	-	121,302	37,064	46,133
<u>\$ 1,683</u>	<u>\$ 3,238</u>	<u>\$ -</u>	<u>\$ 30,256</u>	<u>\$ -</u>	<u>\$ 121,302</u>	<u>\$ 41,551</u>	<u>\$ 71,133</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<u>Measure "L"</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 217,160	\$ 2,032	\$ 18,480	\$ 758,017
Receivables:				
Interest	1,524	-	49	3,073
Taxes	6,926	-	-	25,170
Intergovernmental	-	-	-	150,968
Loans receivable	-	-	-	30,256
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 225,610	\$ 2,032	\$ 18,529	\$ 967,484
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES				
Accounts payable	\$ 2,873	\$ -	\$ -	\$ 55,852
Interest payable	-	-	-	36
Due to other funds	-	-	-	149,219
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,873	-	-	205,107
	<hr/>	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	156,262
Deferred business loan payments	-	-	-	30,256
	<hr/>	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	-	-	-	186,518
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Restricted	222,737	2,032	-	456,157
Committed	-	-	-	121,302
Assigned	-	-	18,529	123,040
Unassigned	-	-	-	(124,640)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	222,737	2,032	18,529	575,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 225,610	\$ 2,032	\$ 18,529	\$ 967,484
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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, 2018

	AB 1600	P & R Quimby	Donation Project	Navada Main Project
REVENUES				
Taxes and assessments	\$ 16,559	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	276,439
Use of money and property	878	250	149	(1,538)
Charges for services	-	-	-	-
Other revenues	-	1,760	11,756	-
Total Revenues	<u>17,437</u>	<u>2,010</u>	<u>11,905</u>	<u>274,901</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	-	-	-	2,835
Recreation and culture	-	-	4,609	-
Capital outlay	-	-	-	119,623
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,609</u>	<u>122,458</u>
Excess of Revenues Over (Under) Expenditures	<u>17,437</u>	<u>2,010</u>	<u>7,296</u>	<u>152,443</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	56,331
Transfers out	(28,108)	-	-	-
Total Other Financing Sources (Uses)	<u>(28,108)</u>	<u>-</u>	<u>-</u>	<u>56,331</u>
Net Change in Fund Balances	<u>(10,670)</u>	<u>2,010</u>	<u>7,296</u>	<u>208,774</u>
Fund Balances - Beginning	<u>90,388</u>	<u>26,193</u>	<u>14,209</u>	<u>(285,868)</u>
Fund Balances - Ending	<u>\$ 79,717</u>	<u>\$ 28,203</u>	<u>\$ 21,505</u>	<u>\$ (77,094)</u>

Gas Tax Streets	TDA Funds	Local Pedestrian & Bicycle	Traffic Relief	Regional Traffic Mitigation	FEMA	Indian Trails	UST Project
\$ 101,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	32,601	31,100	-	-	233,722	-	-
39	-	-	12	16	-	433	(46)
-	-	-	3,647	-	-	-	-
-	-	-	-	-	-	-	-
<u>101,436</u>	<u>32,601</u>	<u>31,100</u>	<u>3,659</u>	<u>16</u>	<u>233,722</u>	<u>433</u>	<u>(46)</u>
-	-	-	-	(4,977)	170,142	980	-
-	-	-	-	-	-	-	-
24,156	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>24,966</u>	<u>32,600</u>	<u>31,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>49,122</u>	<u>32,600</u>	<u>31,100</u>	<u>-</u>	<u>(4,977)</u>	<u>170,142</u>	<u>980</u>	<u>-</u>
<u>52,314</u>	<u>1</u>	<u>-</u>	<u>3,659</u>	<u>4,993</u>	<u>63,580</u>	<u>(547)</u>	<u>(46)</u>
13,799	-	-	-	-	-	-	11,041
-	-	-	-	-	-	-	-
<u>13,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,041</u>
66,113	1	-	3,659	4,993	63,580	(547)	10,995
(6,539)	(1)	-	-	-	(62,681)	46,489	(11,025)
<u>\$ 59,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 4,993</u>	<u>\$ 899</u>	<u>\$ 45,942</u>	<u>\$ (30)</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, 2018

	Calfire Grant	LWCF Pool Rehab	Little Deer Creek	Brownsfield 10
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	193,108	93,963	272,437	45,954
Use of money and property	17	-	-	(1)
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	193,125	93,963	272,437	45,953
EXPENDITURES				
Current:				
General government	-	117	149,006	40,389
Public protection	11,218	-	-	-
Public ways and facilities	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	454,415	-	-
Total Expenditures	11,218	454,532	149,006	40,389
Excess of Revenues Over (Under) Expenditures	181,907	(360,569)	123,431	5,564
OTHER FINANCING SOURCES (USES)				
Transfers in	-	374,895	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	374,895	-	-
Net Change in Fund Balances	181,907	14,326	123,431	5,564
Fund Balances - Beginning	(192,658)	(14,326)	(132,291)	2,645
Fund Balances - Ending	\$ (10,751)	\$ -	\$ (8,860)	\$ 8,209

Tax - Fire Dept.	2003 Fire Tax	NC Recreation	CDBG Enterprise	CABY Nevada City	Prop 172	MATHIVET	SLESF
33,655	64,764	-	\$ -	\$ -	\$ 38,289	\$ -	\$ 110,585
-	-	-	18,950	-	-	-	-
-	-	-	-	-	867	396	1,012
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>33,655</u>	<u>64,764</u>	<u>-</u>	<u>18,950</u>	<u>-</u>	<u>39,156</u>	<u>396</u>	<u>111,597</u>
-	-	-	1,404	-	-	5,987	-
35,340	68,008	-	-	-	(3,114)	-	122,993
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>35,340</u>	<u>68,008</u>	<u>-</u>	<u>1,404</u>	<u>-</u>	<u>(3,114)</u>	<u>5,987</u>	<u>122,993</u>
<u>(1,685)</u>	<u>(3,244)</u>	<u>-</u>	<u>17,546</u>	<u>-</u>	<u>42,270</u>	<u>(5,591)</u>	<u>(11,396)</u>
-	-	-	-	8,915	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,915	-	-	-
(1,685)	(3,244)	-	17,546	8,915	42,270	(5,591)	(11,396)
<u>1,686</u>	<u>3,244</u>	<u>(3)</u>	<u>(45,448)</u>	<u>(8,915)</u>	<u>79,032</u>	<u>42,655</u>	<u>57,529</u>
<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (27,902)</u>	<u>\$ -</u>	<u>\$ 121,302</u>	<u>\$ 37,064</u>	<u>\$ 46,133</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, 2018

	<u>Measure "L"</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Total</u>
REVENUES				
Taxes and assessments	\$ 370,315	\$ -	\$ -	\$ 735,564
Intergovernmental revenues	-	-	-	1,198,274
Use of money and property	3,647	-	172	6,303
Charges for services	-	-	-	3,647
Other revenues	-	8,105	-	21,621
Total Revenues	<u>373,962</u>	<u>8,105</u>	<u>172</u>	<u>1,965,409</u>
EXPENDITURES				
Current:				
General government	54,619	4,533	-	422,200
Public protection	-	-	-	234,445
Public ways and facilities	-	-	-	26,991
Recreation and culture	-	-	-	4,609
Capital outlay	3,857	-	-	666,561
Total Expenditures	<u>58,476</u>	<u>4,533</u>	<u>-</u>	<u>1,354,806</u>
Excess of Revenues Over (Under) Expenditures	<u>315,486</u>	<u>3,572</u>	<u>172</u>	<u>610,603</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	464,981
Transfers out	(344,100)	-	-	(372,208)
Total Other Financing Sources (Uses)	<u>(344,100)</u>	<u>-</u>	<u>-</u>	<u>92,773</u>
Net Change in Fund Balances	<u>(28,614)</u>	<u>3,572</u>	<u>172</u>	<u>703,376</u>
Fund Balances - Beginning	<u>251,351</u>	<u>(1,540)</u>	<u>18,357</u>	<u>(127,517)</u>
Fund Balances - Ending	<u>\$ 222,737</u>	<u>\$ 2,032</u>	<u>\$ 18,529</u>	<u>\$ 575,859</u>

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OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada City, California, (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have been identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency. (2018-001)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying management's corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs
Yuba City, California
March 5, 2019

CITY OF NEVADA CITY
Schedule of Findings and Recommendations
For the Year Ended June 30, 2018

2018-001 Expenditures in Excess of Appropriations (Significant Deficiency)

Condition

For the year ended June 30, 2018, we noted that the City incurred expenditures in excess of appropriations of \$115,459 in the Measure “S” major special revenue fund. This is a repeat of prior year finding 2017-001.

Cause

The City did not amend the budget to account for changes in estimates of expenditures during the fiscal year.

Criteria

California Government Code requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

Effect of Condition

Expenditures exceeded appropriations by \$115,459 in the Measure “S” fund.

Recommendation

We recommend that the City control and monitor expenditures so that they do not exceed the approved budget.

CITY OF NEVADA CITY
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2018

<u>Audit Reference</u>	<u>Status of Prior Year Recommendation</u>
2017-001	<p>Expenditures in Excess of Appropriations</p> <p>Recommendation</p> <p>We recommend that the City control and monitor expenditures so that they do not exceed the approved budget.</p> <p>Status</p> <p>Not Implemented</p>

CITY OF NEVADA CITY
Management's Corrective Action Plan
For the Year Ended June 30, 2018

Finding 2018-001 Expenditures in Excess of Appropriations (Significant Deficiency)

We recommend that the City control and monitor expenditures so that they do not exceed the approved budget.

Responsible Individual: Loree' McCay, Administrative Services Manager

Corrective Action Plan: The Administrative Services Manager will do a quarterly review with each department head and discuss the budget versus actual expenditures and make modifications to their expenditure plan as necessary. If a budget adjustment is necessary, the Administrative Services Manager will bring mid-year or year-end adjustments to the City Council for approval and modify the budget.

Anticipated Completion Date: Quarterly reviews began in February of 2019 and will continue each quarter with mid-year or year-end adjustments to come forward to Council by March of 2019 or June of 2019.

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