

**CITY OF NEVADA CITY,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2012**

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**CITY OF NEVADA CITY
Annual Financial Report
For the Year Ended June 30, 2012**

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INTRODUCTORY SECTION

- **List of Officials**

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CITY OF NEVADA CITY
City Officials
For the Year Ended June 30, 2012

CITY COUNCIL

David McKay, Mayor

Duane Strawser, Vice Mayor

Sally Harris

Robert Bergman

Reinette Senum

CITY STAFF

Dave Brennan, City Manager

Niel Locke, City Clerk/Treasurer

Harold DeGraw, City Attorney

Sam Goodspeed, Fire Chief

Jim Wickham, Chief of Police

William J. Falconi, City Engineer

Verne Taylor, Director of Public Works

Catrina Olson, Finance Director

Cindy Siegfried, City Planner

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell CPAs
Yuba City, California
November 30, 2012

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

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**CITY OF NEVADA CITY, CALIFORNIA
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2011/2012**

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, 2012. Please read this document in conjunction with the basic financial statements and the accompanying notes to those financial statements.

The City has a diverse local economy based on business and industry, local government employment, and tourism. This allows the City to provide a variety of services to all citizens. There continues to be an overall slowed local economy. General fund revenues continue to be flat with a slight uptick in business activity revenue. Due to lack of reserves and virtually flat revenues, controlled City spending throughout the fiscal year continues to be warranted.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2012:

Entity-wide:

- ❑ The City's assets at the end of the year decreased to \$27,616,848 down \$227,056 from the previous fiscal year. Of this total, \$13,764,120 is Governmental assets down \$117,199 from the previous fiscal year, and \$13,852,728 is Business Type assets down \$109,857 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year decreased to \$5,789,518 down \$1,075,552 from the previous fiscal year. Of this total, \$647,212 is Governmental liabilities down \$834,831 from the previous fiscal year, and \$5,142,306 is Business Type liabilities down \$240,721 from the previous fiscal year.
- ❑ The net affect of the changes in assets and liabilities left the City's net assets at \$21,827,330 up \$848,496 from the previous fiscal year. Of this total, \$13,116,908 is Governmental up \$717,632 from the previous fiscal year, and \$8,710,422 is Business type up \$130,864 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$1,428,751 and general revenues and transfers of \$3,444,983 for a total revenue amount of \$4,873,734. Governmental expenses were \$4,156,102.
- ❑ Business-type revenues include program revenues of \$2,106,880 and general revenues and transfers of (\$92,706) for total revenues of \$2,014,174. Business Type expenses were \$1,883,310.

Fund level:

- ❑ Governmental Fund Balances at the end of the fiscal year were \$1,414,156 up \$574,055 from the prior fiscal year.
- ❑ Governmental Fund revenues were \$4,858,863 in 2012 compared to \$5,359,974 in 2011 for a decrease of \$501,111.
- ❑ Governmental Fund expenditures of \$4,403,456 decreased by \$1,001,465 from the prior fiscal year.

General Fund:

- ❑ The General Fund revenues were \$3,135,547 an increase of \$22,733 from the prior fiscal year.
- ❑ General Fund expenditures of \$3,076,421 represent a decrease of \$299,626 from the prior fiscal year.
- ❑ General Fund other financing sources for the year totaled \$145,958 for a decrease of \$306,135 from 2011.
- ❑ At the end of the fiscal year, the fund balance for the General Fund was \$400,031 for an increase of \$205,084 from 2011.

OVERVIEW OF THE CITY'S ANNUAL FINANCIAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

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

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

Notes to Financial Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE.

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1 to 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities and Tables 3 to 6 focuses on the City's Business-type Statement of Net Assets and Statement of Activities.

Governmental Activities:

Table 1
Governmental Net Assets at June 30

	<u>2012</u>	<u>2011</u>
Cash and investments	\$1,157,135	\$1,315,708
Other assets	774,563	775,661
Capital assets	11,832,422	11,789,950
Total Assets	\$13,764,120	\$13,881,319
Current liabilities	523,838	1,267,172
Long term debt	123,374	214,871
Total Liabilities	\$647,212	\$1,482,043
Net Assets:		
Invested in Capital assets, net of related debt	\$11,668,684	\$11,403,799
Restricted	1,227,594	777,419
Unrestricted	220,630	218,058
Total Net Assets	\$13,116,908	\$12,399,276

The City's Governmental net assets were \$13,116,908 as of June 30, 2012, an increase of \$717,632 over the prior fiscal year. This increase is the change in net assets shown in Table 1. The City's Governmental Net Assets as of June 30, 2012 were comprised of the net of the following:

- Cash of \$1,157,135 held in the State of California's Local Agency Investment Fund and the City's money market savings and general checking accounts.
- Receivables of \$623,234 comprised of accrued revenues and amounts due from other funds.
- Prepaid costs of \$151,329.
- Capital assets, net of depreciation charges, of \$11,832,422. This includes all of the City's infrastructure as well as other capital assets used in government activities. See Notes 1 and 4 for additional information on capital assets.
- Current liabilities including accounts payable, accrued expenses, employee leave time earned but not yet used and amounts due to other funds totaling \$305,175.
- Long term debt of \$342,037 of which \$123,374 matures in future years and \$218,663 is due within one year. Note 7 and 8 provides additional detail on the City's long term debt.

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

Table 2
Changes in Governmental Net Assets June 30

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for service	\$629,031	\$582,454
Grants and contributions	799,720	1,652,347
General Revenues:		
Property taxes	1,459,297	1,425,068
Other taxes	1,668,978	1,462,026
Interest and Investment Earnings	77,067	79,741
Other general revenues and transfers	239,641	334,209
Total Revenues	\$4,873,734	\$5,535,845
Program Expenses:		
General government	\$1,262,879	\$1,277,976
Public Safety	1,835,037	1,756,704
Public works	737,637	628,669
Parks and Recreation	301,727	288,008
Interest on Long-term debt	18,822	21,396
Total expenses	\$4,156,102	\$3,972,753
Net (Expense) Revenue	717,632	1,563,092
Prior Period Adjustment	0	95,547
Change in Net Assets	\$717,632	\$1,658,639

Total Governmental revenues decreased by 12% from the prior fiscal year. Other taxes (includes sales and use tax, franchise tax, and transient occupancy tax). Sales and use tax increased 16% from the previous fiscal year with Measure "S" collections being \$638,861 and sales tax being \$651,565. The combined franchise tax and transient occupancy tax increased 20% from the previous fiscal year collections. The City's sales tax revenue can fluctuates with the activity of several large businesses that generate a significant percentage of the City's sales tax. The 2011/2012 assessed property valuations were flat to the fiscal year 2010/2011 assessed valuations. The City experienced a 3% decrease in interest earnings related to a low interest rate environment during the 2011/2012 fiscal year. The most significant increase was in other tax revenues of 14% relating to sales and use taxes received during the 2011/2012 fiscal year.

Table 2 shows that 29.3% of the City's Governmental revenues were derived from fees for City services and grants, primarily in charges for service of \$629,031, which is an increase from the previous fiscal year. As a part of this, however, grants and contributions decreased 52% or \$852,627 from the previous fiscal year, which was the major contributor to the overall reduction in Governmental revenues. Overall, the City experienced a considerable increase of 8% in total governmental activities charges for services from the previous fiscal year, with the largest increases associated to public ways and facilities and recreation and culture.

Total Governmental expenses increased 4.6% from the previous fiscal year. The overall increase in program expense of \$183,349 is primarily associated to benefit increases in public safety as well as an increase in Measure “S” expenditures in public works. The City received a (TRAN) in the fiscal year 2008/2009 from the Nevada County Treasurer, and used \$626,781 to payoff Nevada City’s CalPERS side fund debt at a reduced interest rate of 2.78% versus the 7.75% that was being charged by CalPERS, and then .72% for fiscal year 2009/2010, .43% for fiscal year 2010/2011, and .45% for fiscal year 2011/2012. This savings has offset the continually increasing costs for the CalPERS benefit expense for fiscal years 2009/2010, 2010/2011, and 2011/2012. Also, to continue controlled operational expenditures during the fiscal year 2011/2012, a one day a month furlough for miscellaneous and safety employees was continued which had been implemented Citywide in the fiscal year 2008/2009.

Business-Type Activities:

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

	<u>2012</u>	<u>2011</u>
Cash and investments	\$1,105,085	\$659,194
Other assets	473,631	605,374
Capital assets	12,274,012	12,698,017
Total Assets	\$13,852,728	\$13,962,585
Current liabilities	\$374,296	\$424,017
Long term debt	4,768,010	4,959,010
Total Liabilities	\$5,142,306	\$5,383,027
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$7,329,676	\$7,571,009
Restricted	252,064	230,242
Unrestricted	1,128,682	778,307
Total Net Assets	\$8,710,422	\$8,579,558

The City’s Business Type enterprises consist of water and sewer services. Total net assets increased 1.5%, being driven by an increase in cash and investments as well as decrease in the long term debt in the Wastewater and Water Treatment Plants associated to scheduled principal payments on the Loans Payable and Certificates of Participation for the Water and Wastewater Treatment Plants.

Table 4
Changes in Business-Type Net Assets June 30

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Water	\$753,685	\$582,925
Sewer	1,334,363	1,578,930
Other Enterprise Funds	18,832	18,149
General Revenues and Transfers	(92,706)	(86,232)
Total Revenues	\$2,014,174	\$2,093,772
Expenses:		
Water	\$562,790	\$611,513
Sewer	1,280,805	1,299,713
Other Enterprise Funds	39,715	38,783
Total Expenses	\$1,883,310	\$1,950,009
Change in Net Assets	\$130,864	\$143,763

The City's Business-type revenues decreased by 8.9%. Of the 8.9%, water revenue collection increased 29% due to the City's implementation of a tiered water rate structure January 1, 2011. There was a 15.5% decrease in Wastewater revenue collection from the previous fiscal year associated to program income reduction for treating surface water runoff from the County Landfill, which isn't a fixed revenue source and varies from fiscal year to fiscal year.

There was an overall decrease of 8.9% in total business type activity expense. There were decreases in operational expenses in each of the Water and Wastewater operations for the fiscal year 2011/2012. The decrease in expenses in the Water and Wastewater Departments are associated to a reduction in operational costs for services being provided.

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

	<u>2012</u>	<u>2011</u>
Water Services	\$160,991	\$(51,565)
Sewer Services	\$(8,052)	\$215,962
Other Enterprise Funds	\$(22,075)	\$(20,634)
Totals	\$130,864	\$143,763

The overall reduction in Net Income for fiscal year 2011/2012 in business type activities from the prior fiscal year relates primarily to decreased revenue collection for Wastewater Services tied to loss of program income. The actual Water Services Net Income prior to transfers for the fiscal year 2011/2012 was \$212,266, versus the Water Services Net Income for the fiscal year 2010/2011 of \$(2,279). The significant improvement of the Net (Expense) to Revenues from Services is associated to a \$170,760 increase in revenue collections and a decrease of \$47,140 in operational expenses for the fiscal year 2011/2012. The Wastewater Services Net Income prior to transfers for the fiscal year 2011/2012 was \$58,129, versus the Wastewater Services Net Income for the fiscal year 2011/2012 of \$283,317.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

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

Table 6
Capital Assets at June 30, 2012
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$1,630,332	\$0	\$1,630,332
Structures & Improvements	12,554,868	17,985,103	30,539,971
Vehicles, machinery, equipment and software	2,126,472	2,612,271	4,738,743
Construction in Progress	408,097	22,747	430,844
Less accumulated depreciation	(4,887,347)	(8,346,109)	(13,233,456)
Totals	\$11,832,422	\$12,274,012	\$24,106,434

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 2011/2012 were in the governmental activities construction in progress additions, as well as an increase in the area of vehicles. The City continued to work in many areas during the fiscal year 2011/2012 such as the Gold Flat and Zion Road Interchange and East Broad funded by Congestion Mitigation and Air Quality Funds (CMAQ), the Nevada Street Bridget Project funded by the Highway Bridge Grant, and sidewalk reconstruction funded by Gas Tax. The increase in vehicles is attributable to the purchase of a new Case Backhoe funded with a CMAQ grant for the Department of Public Works. The slight change in capital assets associated to business activities was associated to the reconstruction of the storm drains and sewer distribution system on Jordan Street and Reward Street prior to the paving overlay. See Note 4 of the financials for additional detail on changes in capital assets during the year.

Debt Administration

At year-end, the City had \$5,333,158 in long term debt outstanding compared to \$5,740,396 at 06/30/11. The City had a decrease in debt of \$406,144 associated to principal payments to the Nevada County Land Trust for short term financing issued to the City for the purchase of Sugarloaf, the United States Department of Agriculture (USDA) for Certificates of Participation Series 2005 and 2007 for the Wastewater Treatment Plant upgrade that began fiscal year 2004/2005. The City also refinanced USDA Sewer Bonds Series A and B and USDA Sewer Fund Promissory note in fiscal year 2007/2008, totaling \$1,016,542 for a reduced interest rate of 4.1% and made scheduled principal payments on the loan during fiscal year 2011/2012. The City also issued a Transfer of Funds from Nevada County for .45%, leveraging anticipated property tax. This Funds Transfer was used for cash flow purposes for the fiscal year 2011/2012. The original Tax Revenue Anticipation Note (TRAN) taken from Nevada County in 2008/2009 and was used to fund the payoff of the CalPERS side fund for \$626,781 that had an interest rate of 7.75%, the purchase of the DPW Vactron, 500 new water meter replacement, and the Solar Project installation at City Hall, Corp Yard, and the Swimming Pool. The Funds Transfer was for \$791,000 for fiscal year 2011/2012 and was repaid in two installments. The 1st installment of \$395,500 was repaid from the January 2012 Nevada City property tax payment, and the 2nd installment of \$395,500 was repaid from the May 2012 Nevada City property tax payment.

Table 7
Outstanding Debt at June 30, 2012

	Government Activities	Business Activities	Total
Loans Payable	\$0	\$1,179,336	\$1,179,336
Certificates of Participation	-	3,765,000	3,765,000
Capital Leases	163,738	-	163,738
Compensated absences payable	178,299	46,785	225,084
Totals	\$342,037	\$4,991,121	\$5,333,158

Contacting the City

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

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Basic Financial Statements

- **Government-Wide Financial Statements**

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CITY OF NEVADA CITY
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,157,135	\$ 1,105,085	\$ 2,262,220
Accounts receivable	70,493	376,874	447,367
Interest receivable	666	1,136	1,802
Taxes receivable	450,885	-	450,885
Due from other governments	187,452	-	187,452
Internal balances	(86,262)	86,262	-
Prepaid costs	28,963	9,359	38,322
Prepaid insurance	122,366	-	122,366
Capital assets:			
Non depreciable assets	2,038,430	17,126	2,055,556
Depreciable assets, net of depreciation	9,793,992	12,256,886	22,050,878
Total capital assets	<u>11,832,422</u>	<u>12,274,012</u>	<u>24,106,434</u>
Total Assets	<u>13,764,120</u>	<u>13,852,728</u>	<u>27,616,848</u>
LIABILITIES			
Accounts payable	171,026	47,882	218,908
Salaries and benefits payable	77,406	8,956	86,362
Interest payable	156	94,347	94,503
Unearned revenue	56,587	-	56,587
Long-term liabilities:			
Due within one year	218,663	223,111	441,774
Due in more than one year	<u>123,374</u>	<u>4,768,010</u>	<u>4,891,384</u>
Total Liabilities	<u>647,212</u>	<u>5,142,306</u>	<u>5,789,518</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,668,684	7,329,676	18,998,360
Restricted for:			
General government	203,265	-	203,265
Public protection	350,722	-	350,722
Public ways and facilities	672,599	-	672,599
Recreation and culture	1,008	-	1,008
Capital projects	-	1,033	1,033
Debt service	-	251,031	251,031
Unrestricted	<u>220,630</u>	<u>1,128,682</u>	<u>1,349,312</u>
Total Net Assets	<u>\$ 13,116,908</u>	<u>\$ 8,710,422</u>	<u>\$ 21,827,330</u>

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

CITY OF NEVADA CITY
Statement of Activities
For the Year Ended June 30, 2012

<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	\$ 1,262,879	\$ 62,285	\$ 266,492	\$ -
Public protection	1,835,037	32,887	-	-
Public ways and facilities	737,637	381,001	161,570	371,658
Recreation and culture	301,727	152,858	-	-
Interest on long-term debt	18,822	-	-	-
Total Governmental Activities	4,156,102	629,031	428,062	371,658
Business-Type activities:				
Water	562,790	753,685	-	-
Sewer	1,280,805	1,334,363	-	-
Veteran's building	39,715	18,832	-	-
Total Business-Type Activities	1,883,310	2,106,880	-	-
Total	\$ 6,039,412	\$ 2,735,911	\$ 428,062	\$ 371,658

General revenues:

Taxes:

- Property taxes
- Property transfer tax
- Sales and use taxes
- Franchise taxes
- Transient occupancy taxes
- Grants and contributions unrestricted
- Interest and investment earnings
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

Governmental Activities	Business-Type Activities	Total
\$ (934,102)	\$ -	\$ (934,102)
(1,802,150)	-	(1,802,150)
176,592	-	176,592
(148,869)	-	(148,869)
(18,822)	-	(18,822)
(2,727,351)	-	(2,727,351)
-	190,895	190,895
-	53,558	53,558
-	(20,883)	(20,883)
-	223,570	223,570
(2,727,351)	223,570	(2,503,781)
1,449,411	-	1,449,411
9,886	-	9,886
1,290,426	-	1,290,426
132,962	-	132,962
245,590	-	245,590
1,544	-	1,544
77,067	2,873	79,940
119,449	23,069	142,518
118,648	(118,648)	-
3,444,983	(92,706)	3,352,277
717,632	130,864	848,496
12,399,276	8,579,558	20,978,834
\$ 13,116,908	\$ 8,710,422	\$ 21,827,330

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Basic Financial Statements

- **Fund Financial Statements**

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CITY OF NEVADA CITY
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 172,139	\$ 289,233	\$ 695,763	\$ 1,157,135
Accounts receivable	68,381	-	2,112	70,493
Interest receivable	-	153	513	666
Taxes receivable	312,795	119,700	18,390	450,885
Due from other governments	5,473	-	181,979	187,452
Due from other funds	24,217	-	-	24,217
Prepaid costs	28,155	808	-	28,963
Prepaid insurance	122,366	-	-	122,366
Total Assets	<u>\$ 733,526</u>	<u>\$ 409,894</u>	<u>\$ 898,757</u>	<u>\$ 2,042,177</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 90,073	\$ 12,749	\$ 68,204	\$ 171,026
Salaries and benefits payable	76,657	749	-	77,406
Interest payable	122	-	34	156
Unearned revenue	56,587	-	-	56,587
Deferred revenue	110,056	-	102,311	212,367
Due to other funds	-	-	110,479	110,479
Total Liabilities	<u>333,495</u>	<u>13,498</u>	<u>281,028</u>	<u>628,021</u>
Fund Balances:				
Nonspendable	150,521	808	-	151,329
Restricted	148,465	395,588	682,733	1,226,786
Committed	165,341	-	2,021	167,362
Assigned	529	-	73,733	74,262
Unassigned	(64,825)	-	(140,758)	(205,583)
Total Fund Balances	<u>400,031</u>	<u>396,396</u>	<u>617,729</u>	<u>1,414,156</u>
Total Liabilities and Fund Balances	<u>\$ 733,526</u>	<u>\$ 409,894</u>	<u>\$ 898,757</u>	<u>\$ 2,042,177</u>

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

CITY OF NEVADA CITY
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Assets - Governmental Activities
June 30, 2012

Total Fund Balance - Total Governmental Funds	\$ 1,414,156
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	11,832,422
Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	212,367
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital leases payable	(163,738)
Compensated absences payable	(178,299)
Net Assets of Governmental Activities	<u>\$ 13,116,908</u>

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

CITY OF NEVADA CITY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 2,381,471	\$ 638,861	\$ 333,014	\$ 3,353,346
Licenses and permits	205,427	-	-	205,427
Fines and forfeitures	145,574	-	-	145,574
Intergovernmental revenues	72,416	31,000	678,968	782,384
Use of money and property	75,058	273	1,736	77,067
Charges for services	175,616	-	-	175,616
Other revenues	79,985	-	39,464	119,449
Total Revenues	<u>3,135,547</u>	<u>670,134</u>	<u>1,053,182</u>	<u>4,858,863</u>
EXPENDITURES				
Current:				
General government	898,685	-	291,909	1,190,594
Public protection	1,483,421	-	211,668	1,695,089
Public ways and facilities	253,571	81,837	64,066	399,474
Recreation and culture	246,371	-	4,823	251,194
Debt service:				
Principal	149,113	-	73,300	222,413
Interest and other charges	15,157	-	3,665	18,822
Capital outlay	30,103	79,786	515,981	625,870
Total Expenditures	<u>3,076,421</u>	<u>161,623</u>	<u>1,165,412</u>	<u>4,403,456</u>
Excess of Revenues Over (Under) Expenditures	<u>59,126</u>	<u>508,511</u>	<u>(112,230)</u>	<u>455,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	145,958	-	76,331	222,289
Transfers out	-	(49,616)	(54,025)	(103,641)
Total Other Financing Sources (Uses)	<u>145,958</u>	<u>(49,616)</u>	<u>22,306</u>	<u>118,648</u>
Net Change in Fund Balances	205,084	458,895	(89,924)	574,055
Fund Balances - Beginning	<u>194,947</u>	<u>(62,499)</u>	<u>707,653</u>	<u>840,101</u>
Fund Balances - Ending	<u>\$ 400,031</u>	<u>\$ 396,396</u>	<u>\$ 617,729</u>	<u>\$ 1,414,156</u>

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

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 574,055

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	625,870
Less current year depreciation	(583,398)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirements	222,413
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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 deferred revenue	212,367
Change in taxes receivable	(132,119)
Change in due from other governments	(201,578)

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	22
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Change in Net Assets of Governmental Activities \$ 717,632

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

CITY OF NEVADA CITY
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ASSETS				
Current Assets:				
Cash and investments	\$ 1,032	\$ 1,104,053	\$ -	\$ 1,105,085
Accounts receivable (net of allowance)	139,652	235,677	1,545	376,874
Interest receivable	4	1,132	-	1,136
Due from other funds	-	807,960	-	807,960
Prepaid costs	3,304	5,669	386	9,359
Total Current Assets	<u>143,992</u>	<u>2,154,491</u>	<u>1,931</u>	<u>2,300,414</u>
Noncurrent Assets:				
Non depreciable assets	11,599	5,527	-	17,126
Depreciable assets, net of accumulated depreciation	2,004,467	10,252,419	-	12,256,886
Total Noncurrent Assets	<u>2,016,066</u>	<u>10,257,946</u>	<u>-</u>	<u>12,274,012</u>
Total Assets	<u>2,160,058</u>	<u>12,412,437</u>	<u>1,931</u>	<u>14,574,426</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	18,579	27,061	2,242	47,882
Salaries and benefits payable	3,555	5,075	326	8,956
Interest payable	4,438	89,848	61	94,347
Due to other funds	601,296	14,781	105,621	721,698
Compensated absences	21,088	11,662	-	32,750
Certificates of participation	-	51,000	-	51,000
Loans payable	83,932	53,937	-	137,869
Total Current Liabilities	<u>732,888</u>	<u>253,364</u>	<u>108,250</u>	<u>1,094,502</u>
Noncurrent Liabilities:				
Compensated absences	9,037	4,998	-	14,035
Certificates of participation	-	3,714,000	-	3,714,000
Loans payable	322,026	719,441	-	1,041,467
Total Noncurrent Liabilities	<u>331,063</u>	<u>4,438,439</u>	<u>-</u>	<u>4,769,502</u>
Total Liabilities	<u>1,063,951</u>	<u>4,691,803</u>	<u>108,250</u>	<u>5,864,004</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,610,108	5,719,568	-	7,329,676
Restricted for capital projects	1,033	-	-	1,033
Restricted for debt service	50,000	201,031	-	251,031
Unrestricted	(565,034)	1,800,035	(106,319)	1,128,682
Total Net Assets	<u>\$ 1,096,107</u>	<u>\$ 7,720,634</u>	<u>\$ (106,319)</u>	<u>\$ 8,710,422</u>

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

CITY OF NEVADA CITY
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
OPERATING REVENUES				
Charges for services	\$ 753,685	\$ 1,334,363	\$ 18,832	\$ 2,106,880
Other revenues	23,069	-	-	23,069
Total Operating Revenues	<u>776,754</u>	<u>1,334,363</u>	<u>18,832</u>	<u>2,129,949</u>
OPERATING EXPENSES				
Salaries and benefits	225,677	346,026	22,744	594,447
Supplies	28,598	24,516	832	53,946
Power	68,288	74,372	4,344	147,004
Repairs and maintenance	6,486	31,572	1,446	39,504
Professional services	23,405	60,415	-	83,820
Insurance	17,025	20,494	867	38,386
Depreciation	129,173	398,599	-	527,772
Amortization	-	1,059	-	1,059
Other expenses	45,867	139,737	9,234	194,838
Total Operating Expenses	<u>544,519</u>	<u>1,096,790</u>	<u>39,467</u>	<u>1,680,776</u>
Operating Income (Loss)	<u>232,235</u>	<u>237,573</u>	<u>(20,635)</u>	<u>449,173</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	(1,698)	4,571	-	2,873
Interest expense	(18,271)	(184,015)	(248)	(202,534)
Total Non-Operating Revenues (Expenses)	<u>(19,969)</u>	<u>(179,444)</u>	<u>(248)</u>	<u>(199,661)</u>
Income (loss) Before Transfers	212,266	58,129	(20,883)	249,512
Transfers out	(51,275)	(66,181)	(1,192)	(118,648)
Change in Net Assets	160,991	(8,052)	(22,075)	130,864
Total Net Assets - Beginning	<u>935,116</u>	<u>7,728,686</u>	<u>(84,244)</u>	<u>8,579,558</u>
Total Net Assets - Ending	<u>\$ 1,096,107</u>	<u>\$ 7,720,634</u>	<u>\$ (106,319)</u>	<u>\$ 8,710,422</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, 2012

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 764,070	\$ 1,321,058	\$ 18,617	\$ 2,103,745
Payments to suppliers	(199,145)	(380,079)	(17,039)	(596,263)
Payments to employees	(232,851)	(355,480)	(23,313)	(611,644)
Net Cash Provided (Used) by Operating Activities	332,074	585,499	(21,735)	895,838
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(51,275)	(66,181)	(1,192)	(118,648)
Interfund loans received	601,296	(793,179)	105,621	(86,262)
Interfund loans repaid	(772,729)	1,106,466	(82,440)	251,297
Net Cash Provided (Used) by Noncapital Financing Activities	(222,708)	247,106	21,989	46,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(7,702)	(96,065)	-	(103,767)
Principal paid on debt	(80,602)	(103,129)	-	(183,731)
Interest paid on debt	(19,084)	(192,370)	(254)	(211,708)
Net Cash Provided (Used) by Capital and Related Financing Activities	(107,388)	(391,564)	(254)	(499,206)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	(1,975)	4,847	-	2,872
Net Cash Provided (Used) by Investing Activities	(1,975)	4,847	-	2,872
Net Increase (Decrease) in Cash and Cash Equivalents	3	445,888	-	445,891
Balances - Beginning of the Year	1,029	658,165	-	659,194
Balances - End of the Year	\$ 1,032	\$ 1,104,053	\$ -	\$ 1,105,085

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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 232,235	\$ 237,573	\$ (20,635)	\$ 449,173
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	129,173	398,599	-	527,772
Amortization	-	1,059	-	1,059
Decrease (increase) in:				
Accounts receivable	(12,684)	(13,305)	(115)	(26,104)
Prepaid costs	(2,985)	(4,241)	(229)	(7,455)
Increase (decrease) in:				
Accounts payable	(6,491)	(24,732)	(87)	(31,310)
Salaries and benefits payable	(5,793)	(8,704)	(569)	(15,066)
Deposits payable	-	(750)	(100)	(850)
Compensated absences	(1,381)	-	-	(1,381)
Net Cash Provided (Used) by Operating Activities	<u>\$ 332,074</u>	<u>\$ 585,499</u>	<u>\$ (21,735)</u>	<u>\$ 895,838</u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

As required by GAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable.

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 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, 2012

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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

C. Basis of Accounting and Measurement Focus

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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 assets.

E. Cash, Cash Equivalents, and Investments

The City pools cash and investments of all funds except for cash with fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments (Continued)

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

F. Receivables

Accounts Receivable

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

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

G. Other Assets

Inventory

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

Prepaid Costs

Payments made for services that will benefit periods beyond June 30, 2012, are recorded as prepaid costs. Prepaids in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form.

H. Capital Assets

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

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

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

I. Property Tax

Nevada County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

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

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

J. Interfund Transactions

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

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities, are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

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

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

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unearned Revenue/Deferred Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

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

L. Compensated Absences and Postemployment Benefits

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which is paid at the date of termination from City employment. On January 1, 1994, an amendment to the policy regarding sick pay was passed which provides that employees meeting certain criteria would be paid a bonus based on their year end unused sick leave balance. All compensated pay is accrued when incurred in the government-wide and proprietary fund financial statements. For all governmental funds, termination pay-outs expected to be paid out of current financial resources are recorded as fund liabilities. Compensated absences liability is typically liquidated by the General fund for all non proprietary fund compensated absences.

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

M. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Assets

The following non-major governmental funds had deficit fund balances at June 30, 2012:

The Nevada Main Project special revenue fund had a fund balance deficit of \$30,655, which is expected to be eliminated in the future through increased revenues.

The EECBG special revenue fund had a fund balance deficit of \$25,000, which is expected to be eliminated in the future through increased revenues.

The STIP special revenue fund had a fund balance deficit of \$42,178, which is expected to be eliminated in the future through increased revenues.

The UST Project special revenue fund had a fund balance deficit of \$15,740, which is expected to be eliminated in the future through increased revenues.

The Brownsfield 10 special revenue fund had a fund balance deficit of \$5,022, which is expected to be eliminated in the future through increased revenues.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Deficit Fund Balance/Net Assets (Continued)

The CMAC Grant special revenue fund had a fund balance deficit of \$5,546, which is expected to be eliminated in the future through increased revenues.

The CDBG Enterprise special revenue fund had a fund deficit balance of \$12,211, which is expected to be eliminated in the future through increased revenues.

The Solar Farm special revenue fund had a fund deficit balance of \$4,406, which is expected to be eliminated in the future through increased revenues.

The following non-major enterprise fund had deficit net assets at June 30, 2012:

The Veterans Building fund had deficit net assets of \$106,319, which is expected to be eliminated in the future through increased revenues.

B. Gann Spending Limitation

Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2012, the City's cash and investments are reported in the financial statements as follows:

Governmental activities	\$ 1,157,135
Business-Type activities	<u>1,105,085</u>
Total Cash and Investments	<u><u>\$ 2,262,220</u></u>

As of June 30, 2012, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 315
Deposits (less outstanding checks)	<u>546,613</u>
Total Cash	<u>546,928</u>
Investments:	
Local Agency Investment Fund	<u>1,715,292</u>
Total Investments	<u>1,715,292</u>
Total Cash and Investments	<u><u>\$ 2,262,220</u></u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Cash

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$546,613 and the bank balance was \$537,489. 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 \$315.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, interest bearing 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 more than the \$250,000 insured amount are collateralized. The City does not have a formal investment policy that further limits its deposits.

C. Investments

Under the provisions of the City's investment policy, and the California Government Code, the City may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2012, the City's investments were all pooled with the State of California Local Agency Investment Fund.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

As of June 30, 2012, 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>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>	<u>Fair Value</u>	
Local Agency Investment Fund (LAIF)	Variable	\$ 1,715,292	\$ -	\$ 1,715,292	-
Total Investments		<u>\$ 1,715,292</u>	<u>\$ -</u>	<u>\$ 1,715,292</u>	<u>-</u>

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2012, the City investments were all pooled with the State of California Local Agency Investment Fund. The rating for LAIF is not available.

Custodial Credit Risk for Investments- Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. State law and the investment policy of the City contain limitations on the amount that can be invested in any one issuer. As of June 30, 2012, the City investments were all pooled with the State of California Local Agency Investment Fund and the City was in compliance with concentration of credit risk laws.

D. Investment in External Investment Pools

Investment in Local Agency Investment Fund - The City of Nevada City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State statute.

Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the City's position in the pool is the same as the value of the pooled shares. At June 30, 2012 the City's investment position in LAIF was \$1,715,292. The total amount invested by all public agencies in LAIF on that day was \$60,588,263,603. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

Governmental Activities

	Balance				Balance
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2012</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 1,630,332	\$ -	\$ -	\$ -	\$ 1,630,332
Construction in progress	<u>459,689</u>	<u>398,108</u>	<u>-</u>	<u>(449,700)</u>	<u>408,097</u>
Total Capital Assets, Not Being Depreciated	<u>2,090,021</u>	<u>398,108</u>	<u>-</u>	<u>(449,700)</u>	<u>2,038,429</u>
Capital Assets, Being Depreciated:					
Land improvements/infrastructure	7,714,616	61,773	-	449,700	8,226,089
Building and improvements	4,328,779	-	-	-	4,328,779
Equipment	818,057	57,814	(94,745)	-	781,126
Software	42,041	-	-	-	42,041
Vehicles	<u>1,214,878</u>	<u>108,175</u>	<u>(19,748)</u>	<u>-</u>	<u>1,303,305</u>
Total Capital Assets, Being Depreciated	<u>14,118,371</u>	<u>227,762</u>	<u>(114,493)</u>	<u>449,700</u>	<u>14,681,340</u>
Less Accumulated Depreciation for:					
Land improvements	(2,107,874)	(291,019)	-	-	(2,398,893)
Buildings and improvements	(1,148,508)	(112,906)	-	-	(1,261,414)
Equipment	(634,703)	(67,477)	94,745	-	(607,435)
Software	(40,360)	(1,681)	-	-	(42,041)
Vehicles	<u>(486,997)</u>	<u>(110,315)</u>	<u>19,748</u>	<u>-</u>	<u>(577,564)</u>
Total Accumulated Depreciation	<u>(4,418,442)</u>	<u>(583,398)</u>	<u>114,493</u>	<u>-</u>	<u>(4,887,347)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,699,929</u>	<u>(355,636)</u>	<u>-</u>	<u>449,700</u>	<u>9,793,993</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,789,950</u>	<u>\$ 42,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,832,422</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2012</u>
Capital Assets, Not Being Depreciated:					
Construction in progress	\$ 17,126	\$ 5,621	\$ -	\$ -	\$ 22,747
Total Capital Assets, Not Being Depreciated	<u>17,126</u>	<u>5,621</u>	<u>-</u>	<u>-</u>	<u>22,747</u>
Capital Assets, Being Depreciated:					
Structures and improvements	17,887,724	97,379	-	-	17,985,103
Equipment	2,529,084	767	-	-	2,529,851
Vehicles	82,420	-	-	-	82,420
Total Capital Assets, Being Depreciated	<u>20,499,228</u>	<u>98,146</u>	<u>-</u>	<u>-</u>	<u>20,597,374</u>
Less Accumulated Depreciation for:					
Structures and improvements	(6,565,420)	(450,733)	-	-	(7,016,153)
Equipment	(1,211,707)	(62,483)	-	-	(1,274,190)
Vehicles	(41,210)	(14,556)	-	-	(55,766)
Total Accumulated Depreciation	<u>(7,818,337)</u>	<u>(527,772)</u>	<u>-</u>	<u>-</u>	<u>(8,346,109)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,680,891</u>	<u>(429,626)</u>	<u>-</u>	<u>-</u>	<u>12,251,265</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,698,017</u>	<u>(\$ 424,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,274,012</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 68,291
Public safety	129,471
Public ways and facilities	336,574
Recreation and culture	<u>49,062</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 583,398</u>

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

Water	\$ 129,173
Sewer	<u>398,599</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 527,772</u>

Construction in Progress

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

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due to and due from balances as of June 30, 2012:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 24,217	\$ -
Nonmajor Governmental Funds	-	110,479
Water	-	601,296
Sewer	807,960	14,781
Nonmajor Enterprise Fund	<u>-</u>	<u>105,621</u>
Total	<u>\$ 832,177</u>	<u>\$ 832,177</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2012:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 145,958	\$ -
Measure "S"	-	49,616
Nonmajor Governmental Funds	76,331	54,025
Water	-	51,275
Sewer	-	66,181
Nonmajor Enterprise Fund	<u>-</u>	<u>1,192</u>
Total	<u>\$ 222,289</u>	<u>\$ 222,289</u>

NOTE 6: UNEARNED/DEFERRED REVENUE

At June 30, 2012, components of unearned revenues were as follows:

	<u>Unearned</u>	<u>Deferred</u>	<u>Total</u>
General Fund			
July 2012 Science Camp Revenues	\$ 8,240	\$ -	\$ 8,240
July 2012 Lego Camp Revenues	6,420	-	6,420
2012-2013 Business License Revenue	41,477	-	41,477
Other Miscellaneous 2012-2013 Revenue	450	-	450
TOT Note receivable	-	110,056	110,056
Nonmajor Governmental Funds			
State, Federal and other grant revenue receivable	<u>-</u>	<u>102,311</u>	<u>102,311</u>
Total Unearned/Deferred Revenue	<u>\$ 56,587</u>	<u>\$ 212,367</u>	<u>\$ 268,954</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2011</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Loans	\$ 73,300	\$ -	\$ 73,300	\$ -	\$ -
Capital Leases	312,851	-	149,113	163,738	93,853
Compensated Absences	178,321	118,785	118,807	178,299	124,810
Total Governmental Activities	<u>\$ 564,472</u>	<u>\$ 118,785</u>	<u>\$ 341,220</u>	<u>\$ 342,037</u>	<u>\$ 218,663</u>
Business-Type Activities					
Loans	\$ 1,328,361	\$ -	\$ 134,731	\$ 1,193,630	\$ 138,928
Less: Issue Costs	(15,353)	-	(1,059)	(14,294)	(1,059)
Loans (Net)	1,313,008	-	133,672	1,179,336	137,869
Certificates of Participation	3,814,000	-	49,000	3,765,000	51,000
Compensated Absences	48,916	24,449	26,580	46,785	32,750
Total Business-Type Activities	<u>\$ 5,175,924</u>	<u>\$ 24,449</u>	<u>\$ 209,252</u>	<u>\$ 4,991,121</u>	<u>\$ 221,619</u>

Individual issues of debt payable outstanding at June 30, 2012, are as follows:

Business-Type Activities

Loans:

All Points Capital Bond Refinance Loan, dated September 1, 2005, payable in annual installments of \$49,843 to \$67,877 with an interest rate of 5.0% and maturity of October 1, 2016. This loan was used to refinance prior loans used to finance the City's water system. \$ 405,959

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. 787,671

Total Loans 1,193,630

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, 2005. These Certificates of Participation were used to finance improvements to the City's wastewater collection, treatment and disposal system. 2,047,000

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. 1,718,000

Total Certificates of Participation 3,765,000

Total Business-Type Activities \$ 4,958,630

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

Business-Type Activities

Year Ended June 30	Loans Payable		
	Principal	Interest	Total
2013	\$ 138,928	\$ 46,993	\$ 185,921
2014	143,248	41,251	184,499
2015	148,689	35,311	184,000
2016	158,227	29,065	187,292
2017	113,050	22,529	135,579
2018-2022	323,346	66,355	389,701
2023-2027	<u>168,142</u>	<u>11,761</u>	<u>179,903</u>
Total	<u>\$ 1,193,630</u>	<u>\$ 253,265</u>	<u>\$ 1,446,895</u>

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2013	\$ 51,000	\$ 156,796	\$ 207,796
2014	53,000	154,614	207,614
2015	55,000	152,351	207,351
2016	58,000	149,982	207,982
2017	60,000	147,508	207,508
2018-2022	338,000	701,520	1,039,520
2023-2027	415,000	618,358	1,033,358
2028-2032	510,000	521,654	1,031,654
2033-2037	627,000	402,840	1,029,840
2038-2042	769,000	256,900	1,025,900
2043-2047	<u>829,000</u>	<u>80,324</u>	<u>909,324</u>
Total	<u>\$ 3,765,000</u>	<u>\$ 3,342,847</u>	<u>\$ 7,107,847</u>

NOTE 8: SHORT-TERM DEBT

The City received a short-term loans from the County of Nevada to fund current expenditure requirements. The City also received a short term loan from the Nevada County Transportation Commission to fund expenditures related to the Zion Street Safe Routes to School Project. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Nevada County Loan	\$ -	\$ 791,000	\$ 791,000	\$ -
Nevada County Transportation Commission Loan	-	180,000	180,000	-
Total	<u>\$ -</u>	<u>\$ 971,000</u>	<u>\$ 971,000</u>	<u>\$ -</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 9: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

Capital Leases

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

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2012
Governmental fund activities	4.39-4.55%	\$ 163,738
Total Capital Lease Obligations		\$ 163,738

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

	Governmental Activities
Buildings	\$ 1,919,764
Equipment	296,428
Less: accumulated depreciation	(676,150)
Net Value	\$ 1,540,042

As of June 30, 2012, capital lease annual amortization was as follows:

	Governmental Activities
Year Ending June 30:	
2013	\$ 99,581
2014	37,260
2015	37,260
Total Requirements	174,101
Less Interest	(10,363)
Present Value of Remaining Payments	\$ 163,738

NOTE 10: NET ASSETS

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10: NET ASSETS (CONTINUED)

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

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$1,479,658 of restricted net assets, of which \$589,936 is restricted by enabling legislation.

Net Asset 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 assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 11: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balance for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (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, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by 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 or resolution or through adoption of the budget and subsequent budget amendments that occur throughout the year, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11: FUND BALANCES (CONTINUED)

- Assigned fund balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

The fund balances for all the major and nonmajor governmental funds as of June 30, 2012, were distributed as follows:

	<u>General Fund</u>	<u>Measure "S"</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid	\$ 150,521	\$ 808	\$ -	\$ 151,329
Restricted for:				
General government	-	-	203,265	203,265
Public protection	148,465	-	202,257	350,722
Public ways and facilities	-	395,588	276,203	671,791
Recreation and culture	-	-	1,008	1,008
Subtotal	<u>148,465</u>	<u>395,588</u>	<u>682,733</u>	<u>1,226,786</u>
Committed to:				
General government	156,939	-	-	156,939
Public ways and facilities	8,402	-	-	8,402
Recreation and culture	-	-	2,021	2,021
Subtotal	<u>165,341</u>	<u>-</u>	<u>2,021</u>	<u>167,362</u>
Assigned to:				
General government	315	-	20,546	20,861
Public ways and facilities	-	-	53,187	53,187
Recreation and culture	214	-	-	214
Subtotal	<u>529</u>	<u>-</u>	<u>73,733</u>	<u>74,262</u>
Unassigned	(64,825)	-	(140,758)	(205,583)
Total	<u>\$ 400,031</u>	<u>\$ 396,396</u>	<u>\$ 617,729</u>	<u>\$ 1,414,156</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net assets 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 2012. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for a measure of financial protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54.

NOTE 12: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

B. Funding Policy

Active plan members in PERS have their 7 percent (9 percent for safety employees) of their annual covered salary paid by the City. The City also contributes the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 13.353 percent for the first tier miscellaneous plan employees, 24.112 percent for the first tier safety plan employees, and 8.197 for the second tier miscellaneous plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 12: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

C. Annual Pension Cost

For fiscal year 2011/2012, the City's annual pension cost of \$111,108 for the first tier miscellaneous plan, \$178,022 for the safety plan, and \$3,807 for the second tier miscellaneous plan was equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent depending on age, service, and type of employment, and (c) 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value).

The actuarial value of PERS assets was determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value). Initial unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. All gains or losses are tracked and amortized over a rolling 30 year period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of plan assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability. The table below presents three year trend information.

Miscellaneous First Tier

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 80,028	100%	\$ -
June 30, 2011	82,596	100%	-
June 30, 2012	111,108	100%	-

Safety

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 140,702	100%	\$ -
June 30, 2011	155,970	100%	-
June 30, 2012	178,022	100%	-

Miscellaneous Second Tier

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 2,307	100%	\$ -
June 30, 2012	3,807	100%	-

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 12: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

D. Funded Status and Funding Progress

Since the City has less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

NOTE 13: RISK MANAGEMENT

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

There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

The City is a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self-insured \$100,000 retention for workers compensation. The NCCSIF is composed of 21 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. 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.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 13: RISK MANAGEMENT (CONTINUED)

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, 2012 were as follows:

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

The City's equity investment in the NCCSIF of \$122,366 is recorded in the General fund as prepaid insurance. The net change in equity is shown as an income or expenditure item in the General fund.

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

The City has signed agreements to construct various capital improvements subsequent to June 30, 2012. The balance owed on the commitments at June 30, 2012 was approximately \$39,994.

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

B. Subsequent Event

On June 13, 2012, the City approved through Resolution No. 2012-16 to receive a transfer of funds from the County of Nevada of \$678,000 to meet the obligations incurred for operation and maintenance. The interest rate on the short-term borrowing is the Nevada County Treasurer's pooled interest rate plus .05% for an administrative charge and is to be repaid by April 26, 2013.

On June 13, 2012, the City approved Resolution No. 2012-19 which finds and declares an emergency exists requiring submission to the voters of a ballot measure to approve a transactions and use tax increase.

Management has evaluated events subsequent to June 30, 2011 through November 30, 2012, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14: OTHER INFORMATION (CONTINUED)

C. Joint Agencies

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

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

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

The City is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services. 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.

**Required Supplementary Information
(Unaudited)**

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CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Budgetary Basis
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 2,349,275	\$ 2,367,525	\$ 2,381,471	\$ 13,946
Licenses and permits	178,450	183,550	205,427	21,877
Fines and forfeitures	50,000	57,000	145,574	88,574
Intergovernmental revenues	113,870	60,373	72,416	12,043
Use of money and property	59,000	73,000	75,058	2,058
Charges for services	223,425	221,979	175,616	(46,363)
Other revenues	415,523	416,242	79,985	(336,257)
Total Revenues	3,389,543	3,379,669	3,135,547	(244,122)
EXPENDITURES				
Current:				
General government	1,020,535	1,028,036	898,685	129,351
Public protection	1,849,330	1,845,694	1,483,421	362,273
Public ways and facilities	306,710	326,210	253,571	72,639
Recreation and culture	303,084	317,546	246,371	71,175
Debt service:				
Principal	945,956	945,956	1,054,113	(108,157)
Interest and other charges	12,726	12,726	15,157	(2,431)
Capital outlay	10,000	11,600	30,103	(18,503)
Total Expenditures	4,448,341	4,487,768	3,981,421	506,347
Excess of Revenues Over (Under) Expenditures	(1,058,798)	(1,108,099)	(845,874)	262,225
OTHER FINANCING SOURCES (USES)				
Transfers in	185,740	185,740	145,958	(39,782)
Debt proceeds	791,000	791,000	905,000	114,000
Total Other Financing Sources (Uses)	976,740	976,740	1,050,958	74,218
Net Change in Fund Balance	(82,058)	(131,359)	205,084	336,443
Fund Balance - Beginning	194,947	194,947	194,947	-
Fund Balance - Ending	\$ 112,889	\$ 63,588	\$ 400,031	\$ 336,443

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

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "S" - Major Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 517,000	\$ 517,000	\$ 638,861	\$ 121,861
Intergovernmental revenue	-	-	31,000	31,000
Use of money and property	150	150	273	123
Total Revenues	<u>517,150</u>	<u>517,150</u>	<u>670,134</u>	<u>152,984</u>
EXPENDITURES				
Current:				
Public ways and facilities	62,900	62,900	81,837	(18,937)
Capital outlay	437,100	437,100	79,786	357,314
Total Expenditures	<u>500,000</u>	<u>500,000</u>	<u>161,623</u>	<u>338,377</u>
Excess of Revenues Over (Under) Expenditures	<u>17,150</u>	<u>17,150</u>	<u>508,511</u>	<u>491,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(49,616)	(49,616)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(49,616)</u>	<u>(49,616)</u>
Net Change in Fund Balance	17,150	17,150	458,895	441,745
Fund Balance - Beginning	<u>(62,499)</u>	<u>(62,499)</u>	<u>(62,499)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (45,349)</u>	<u>\$ (45,349)</u>	<u>\$ 396,396</u>	<u>\$ 441,745</u>

CITY OF NEVADA CITY
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING

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

- (1) The City Administrator 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 Administrator may authorize transfers from one object or purpose to another within the same department.
- (5) 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 which were budgeted as other financing sources. Principal repayment of short-term debt were not budgeted.

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

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Combining 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, 2012

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Donation Project</u>	<u>Nevada Main Project</u>	<u>Gas Tax Streets</u>
ASSETS					
Cash and investments	\$ 174,371	\$ 28,766	\$ -	\$ -	\$ 105,441
Accounts receivable	-	-	2,112	-	-
Interest receivable	111	17	-	-	77
Taxes receivable	-	-	-	-	10,893
Due from other governments	-	-	-	24,227	-
Total Assets	<u>\$ 174,482</u>	<u>\$ 28,783</u>	<u>\$ 2,112</u>	<u>\$ 24,227</u>	<u>\$ 116,411</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 49	\$ 1,394	\$ 848
Interest payable	-	-	-	6	-
Deferred revenue	-	-	-	24,227	-
Due to other funds	-	-	1,055	29,255	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,104</u>	<u>54,882</u>	<u>848</u>
Fund Balances:					
Restricted	174,482	28,783	1,008	-	115,563
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(30,655)	-
Total Fund Balances	<u>174,482</u>	<u>28,783</u>	<u>1,008</u>	<u>(30,655)</u>	<u>115,563</u>
Total Liabilities and Fund Balances	<u>\$ 174,482</u>	<u>\$ 28,783</u>	<u>\$ 2,112</u>	<u>\$ 24,227</u>	<u>\$ 116,411</u>

<u>EECBG</u>	<u>TDA Funds</u>	<u>TDA Sidewalks</u>	<u>STIP</u>	<u>Traffic Relief</u>	<u>Indian Trails</u>	<u>UST Project</u>	<u>Sugarloaf P40</u>
\$ -	\$ -	\$ 27,197	\$ -	\$ 112,233	\$ 53,155	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	4	-	67	32	-	-
-	-	-	-	-	-	-	-
25,000	29,413	25,333	38,315	-	-	9,769	-
<u>\$ 25,000</u>	<u>\$ 29,413</u>	<u>\$ 52,534</u>	<u>\$ 38,315</u>	<u>\$ 112,300</u>	<u>\$ 53,187</u>	<u>\$ 9,769</u>	<u>\$ -</u>
\$ 2,021	\$ 750	\$ 30,001	\$ 12,608	\$ -	\$ -	\$ 2,688	\$ -
-	1	-	24	-	-	-	-
25,000	-	-	38,315	-	-	9,769	-
22,979	2,855	-	29,546	-	-	13,052	-
<u>50,000</u>	<u>3,606</u>	<u>30,001</u>	<u>80,493</u>	<u>-</u>	<u>-</u>	<u>25,509</u>	<u>-</u>
-	25,807	22,533	-	112,300	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	53,187	-	-
(25,000)	-	-	(42,178)	-	-	(15,740)	-
<u>(25,000)</u>	<u>25,807</u>	<u>22,533</u>	<u>(42,178)</u>	<u>112,300</u>	<u>53,187</u>	<u>(15,740)</u>	<u>-</u>
<u>\$ 25,000</u>	<u>\$ 29,413</u>	<u>\$ 52,534</u>	<u>\$ 38,315</u>	<u>\$ 112,300</u>	<u>\$ 53,187</u>	<u>\$ 9,769</u>	<u>\$ -</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>Brownsfield 10</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>	<u>CDBG Water</u>
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 1,992	\$ -
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	29	-
Taxes receivable	-	1,640	3,227	-	-
Due from other governments	7,400	-	-	-	-
Total Assets	<u>\$ 7,400</u>	<u>\$ 1,640</u>	<u>\$ 3,227</u>	<u>\$ 2,021</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,027	\$ -	\$ -	\$ -	\$ -
Interest payable	-	-	-	-	-
Deferred revenue	5,000	-	-	-	-
Due to other funds	1,395	-	-	-	-
Total Liabilities	<u>12,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	-	1,640	3,227	-	-
Committed	-	-	-	2,021	-
Assigned	-	-	-	-	-
Unassigned	(5,022)	-	-	-	-
Total Fund Balances	<u>(5,022)</u>	<u>1,640</u>	<u>3,227</u>	<u>2,021</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 7,400</u>	<u>\$ 1,640</u>	<u>\$ 3,227</u>	<u>\$ 2,021</u>	<u>\$ -</u>

<u>CMAC Grant</u>	<u>Safe Routes to School</u>	<u>CDBG Enterprise</u>	<u>Solar Farm</u>	<u>Stimulus Broad</u>	<u>RTP Grant</u>	<u>Prop 172</u>	<u>MATHIVET</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,379	\$ 98,533
-	-	-	-	-	-	-	-
-	-	-	-	-	-	16	59
-	-	-	-	-	-	2,630	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,025</u>	<u>\$ 98,592</u>
\$ 5,546	\$ -	\$ 6,272	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,939	4,403	-	-	-	-
<u>5,546</u>	<u>-</u>	<u>12,211</u>	<u>4,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	18,025	98,592
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(5,546)	-	(12,211)	(4,406)	-	-	-	-
<u>(5,546)</u>	<u>-</u>	<u>(12,211)</u>	<u>(4,406)</u>	<u>-</u>	<u>-</u>	<u>18,025</u>	<u>98,592</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,025</u>	<u>\$ 98,592</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>SLESF</u>	<u>Recovery Act 09</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 58,162	\$ -	\$ 2,614	\$ 17,920	\$ 695,763
Accounts receivable	-	-	-	-	2,112
Interest receivable	89	-	1	11	513
Taxes receivable	-	-	-	-	18,390
Due from other governments	22,522	-	-	-	181,979
Total Assets	<u>\$ 80,773</u>	<u>\$ -</u>	<u>\$ 2,615</u>	<u>\$ 17,931</u>	<u>\$ 898,757</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 68,204
Interest payable	-	-	-	-	34
Deferred revenue	-	-	-	-	102,311
Due to other funds	-	-	-	-	110,479
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,028</u>
Fund Balances:					
Restricted	80,773	-	-	-	682,733
Committed	-	-	-	-	2,021
Assigned	-	-	2,615	17,931	73,733
Unassigned	-	-	-	-	(140,758)
Total Fund Balances	<u>80,773</u>	<u>-</u>	<u>2,615</u>	<u>17,931</u>	<u>617,729</u>
Total Liabilities and Fund Balances	<u>\$ 80,773</u>	<u>\$ -</u>	<u>\$ 2,615</u>	<u>\$ 17,931</u>	<u>\$ 898,757</u>

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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, 2012

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Donation Project</u>	<u>Nevada Main Project</u>	<u>Gas Tax Streets</u>
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 105,570
Intergovernmental revenues	-	-	-	14,784	-
Use of money and property	549	76	-	(28)	279
Other revenues	-	-	5,831	-	-
Total Revenues	<u>549</u>	<u>76</u>	<u>5,831</u>	<u>14,756</u>	<u>105,849</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public protection	-	-	-	-	-
Public ways and facilities	18,751	-	-	-	13,672
Recreation and culture	-	-	4,823	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	11,553	-	-	27,366	49,305
Total Expenditures	<u>30,304</u>	<u>-</u>	<u>4,823</u>	<u>27,366</u>	<u>62,977</u>
Excess of Revenues Over (Under) Expenditures	<u>(29,755)</u>	<u>76</u>	<u>1,008</u>	<u>(12,610)</u>	<u>42,872</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(18,862)	-	-	-	(13,416)
Total Other Financing Sources (Uses)	<u>(18,862)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,416)</u>
Net Change in Fund Balances	<u>(48,617)</u>	<u>76</u>	<u>1,008</u>	<u>(12,610)</u>	<u>29,456</u>
Fund Balances - Beginning	<u>223,099</u>	<u>28,707</u>	<u>-</u>	<u>(18,045)</u>	<u>86,107</u>
Fund Balances - Ending	<u>\$ 174,482</u>	<u>\$ 28,783</u>	<u>\$ 1,008</u>	<u>\$ (30,655)</u>	<u>\$ 115,563</u>

<u>EECBG</u>	<u>TDA Funds</u>	<u>TDA Sidewalks</u>	<u>STIP</u>	<u>Traffic Relief</u>	<u>Indian Trails</u>	<u>UST Project</u>	<u>Sugarloaf P40</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	29,413	-	53,025	-	-	7,401	-
-	237	-	(78)	294	140	-	-
-	-	25,333	-	-	-	-	-
-	29,650	25,333	52,947	294	140	7,401	-
-	-	-	-	-	-	9,855	2,227
-	-	-	-	-	-	-	-
25,000	3,843	2,800	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	73,300
-	-	-	-	-	-	-	3,665
-	-	-	46,991	-	-	-	-
25,000	3,843	2,800	46,991	-	-	9,855	79,192
(25,000)	25,807	22,533	5,956	294	140	(2,454)	(79,192)
-	-	-	-	-	-	-	7,909
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,909
(25,000)	25,807	22,533	5,956	294	140	(2,454)	(71,283)
-	-	-	(48,134)	112,006	53,047	(13,286)	71,283
<u>\$ (25,000)</u>	<u>\$ 25,807</u>	<u>\$ 22,533</u>	<u>\$ (42,178)</u>	<u>\$ 112,300</u>	<u>\$ 53,187</u>	<u>\$ (15,740)</u>	<u>\$ -</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, 2012

	<u>Brownsfield 10</u>	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>	<u>CDBG Water</u>
REVENUES					
Taxes and assessments	\$ -	\$ 32,793	\$ 64,538	\$ -	\$ -
Intergovernmental revenues	80,185	-	-	-	-
Use of money and property	-	-	-	171	(5)
Other revenues	-	-	-	1,800	-
Total Revenues	<u>80,185</u>	<u>32,793</u>	<u>64,538</u>	<u>1,971</u>	<u>(5)</u>
EXPENDITURES					
Current:					
General government	85,184	-	-	-	-
Public protection	-	31,153	64,538	-	-
Public ways and facilities	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>85,184</u>	<u>31,153</u>	<u>64,538</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,999)</u>	<u>1,640</u>	<u>-</u>	<u>1,971</u>	<u>(5)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	1,989
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,989</u>
Net Change in Fund Balances	<u>(4,999)</u>	<u>1,640</u>	<u>-</u>	<u>1,971</u>	<u>1,984</u>
Fund Balances - Beginning	<u>(23)</u>	<u>-</u>	<u>3,227</u>	<u>50</u>	<u>(1,984)</u>
Fund Balances - Ending	<u>\$ (5,022)</u>	<u>\$ 1,640</u>	<u>\$ 3,227</u>	<u>\$ 2,021</u>	<u>\$ -</u>

<u>CMAC Grant</u>	<u>Safe Routes to School</u>	<u>CDBG Enterprise</u>	<u>Solar Farm</u>	<u>Stimulus Broad</u>	<u>RTP Grant</u>	<u>Prop 172</u>	<u>MATHIVET</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,113	\$ -
89,000	182,897	29,416	-	-	39,072	-	-
(108)	(328)	(8)	(11)	-	(72)	49	259
-	-	-	-	-	-	-	-
<u>88,892</u>	<u>182,569</u>	<u>29,408</u>	<u>(11)</u>	<u>-</u>	<u>39,000</u>	<u>30,162</u>	<u>259</u>
-	-	38,524	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
108,175	167,014	-	-	-	74,661	30,916	-
<u>108,175</u>	<u>167,014</u>	<u>38,524</u>	<u>-</u>	<u>-</u>	<u>74,661</u>	<u>30,916</u>	<u>-</u>
(19,283)	15,555	(9,116)	(11)	-	(35,661)	(754)	259
13,737	18,984	-	-	1,012	10,953	10,298	-
-	-	-	-	-	-	-	-
<u>13,737</u>	<u>18,984</u>	<u>-</u>	<u>-</u>	<u>1,012</u>	<u>10,953</u>	<u>10,298</u>	<u>-</u>
(5,546)	34,539	(9,116)	(11)	1,012	(24,708)	9,544	259
-	(34,539)	(3,095)	(4,395)	(1,012)	24,708	8,481	98,333
<u>\$ (5,546)</u>	<u>\$ -</u>	<u>\$ (12,211)</u>	<u>\$ (4,406)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,025</u>	<u>\$ 98,592</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, 2012

	SLESF	Recovery Act 09	Bicentennial	Becker	Total
REVENUES					
Taxes and assessments	\$ 100,000	\$ -	\$ -	\$ -	\$ 333,014
Intergovernmental revenues	-	153,775	-	-	678,968
Use of money and property	370	(99)	1	48	1,736
Other revenues	-	-	6,500	-	39,464
Total Revenues	100,370	153,676	6,501	48	1,053,182
EXPENDITURES					
Current:					
General government	-	149,236	6,883	-	291,909
Public protection	115,977	-	-	-	211,668
Public ways and facilities	-	-	-	-	64,066
Recreation and culture	-	-	-	-	4,823
Debt service:					
Principal	-	-	-	-	73,300
Interest and other charges	-	-	-	-	3,665
Capital outlay	-	-	-	-	515,981
Total Expenditures	115,977	149,236	6,883	-	1,165,412
Excess of Revenues Over (Under) Expenditures	(15,607)	4,440	(382)	48	(112,230)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	11,449	-	-	76,331
Transfers out	(21,747)	-	-	-	(54,025)
Total Other Financing Sources (Uses)	(21,747)	11,449	-	-	22,306
Net Change in Fund Balances	(37,354)	15,889	(382)	48	(89,924)
Fund Balances - Beginning	118,127	(15,889)	2,997	17,883	707,653
Fund Balances - Ending	\$ 80,773	\$ -	\$ 2,615	\$ 17,931	\$ 617,729

Nonmajor Proprietary Funds

- **Enterprise Funds**

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CITY OF NEVADA CITY
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012

	Veteran's Building	Totals
ASSETS		
Current Assets:		
Accounts receivable (net of allowance)	\$ 1,545	\$ 1,545
Prepaid costs	386	386
Total Assets	1,931	1,931
LIABILITIES		
Current Liabilities:		
Accounts payable	2,242	2,242
Salaries and benefits payable	326	326
Interest payable	61	61
Due to other funds	105,621	105,621
Total Liabilities	108,250	108,250
NET ASSETS		
Unrestricted	(106,319)	(106,319)
Total Net Assets	\$ (106,319)	\$ (106,319)

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenses and
Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	Veteran's Building	Totals
OPERATING REVENUES		
Charges for services	\$ 18,832	\$ 18,832
Total Operating Revenues	18,832	18,832
OPERATING EXPENSES		
Salaries and benefits	22,744	22,744
Supplies	832	832
Power	4,344	4,344
Repairs and maintenance	1,446	1,446
Insurance	867	867
Other expenses	9,234	9,234
Total Operating Expenses	39,467	39,467
Operating Income (Loss)	(20,635)	(20,635)
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(248)	(248)
Total Non-Operating Revenues (Expenses)	(248)	(248)
Income (loss) Before Transfers	(20,883)	(20,883)
Transfers out	(1,192)	(1,192)
Change in Net Assets	(22,075)	(22,075)
Total Net Assets - Beginning	(84,244)	(84,244)
Total Net Assets - Ending	\$ (106,319)	\$ (106,319)

CITY OF NEVADA CITY
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	Veteran's Building	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 18,617	\$ 18,617
Payments to suppliers	(17,039)	(17,039)
Payments to employees	(23,313)	(23,313)
	(21,735)	(21,735)
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(1,192)	(1,192)
Interfund loans received	105,621	105,621
Interfund loans repaid	(82,440)	(82,440)
	21,989	21,989
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	(254)	(254)
	(254)	(254)
Net Cash Provided (Used) by Capital and Related Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
	-	-
Balances - Beginning of the Year		
	-	-
Balances - End of the Year		
	\$ -	\$ -
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (20,635)	\$ (20,635)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(115)	(115)
Prepaid costs	(229)	(229)
Increase (decrease) in:		
Accounts payable	(87)	(87)
Salaries and benefits payable	(569)	(569)
Deposits payable	(100)	(100)
	(21,735)	(21,735)
Net Cash Provided (Used) by Operating Activities		
	\$ (21,735)	\$ (21,735)

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