

**CITY OF NEVADA CITY,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF NEVADA CITY
Annual Financial Report
For the Year Ended June 30, 2015**

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials.	i
FINANCIAL SECTION	
Independent Auditor’s Report.	1-3
Management’s Discussion and Analysis (Required Supplementary Information - Unaudited).	4-13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.	14-15
Statement of Activities.	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.	17
Reconciliation of the Governmental Fund Balance Sheet to the Government- Wide Statement of Net Position - Governmental Activities.	18
Statement of Revenues, Expenditures, and Changes in Fund Balances.	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities.	20
Proprietary Funds:	
Statement of Net Position.	21-22
Statement of Revenues, Expenses, and Changes in Net Position.	23
Statement of Cash Flows.	24-25
Notes to Basic Financial Statements.	26-53
Required Supplementary Information (Unaudited):	
City Pension Plan-Schedule of Proportionate Share of the Net Pension Liability.	54
City Pension Plan-Schedule of Contributions.	55
City Pension Plan-Notes to City Pension Plans.	56
Budgetary Comparison Schedule - General Fund.	57
Budgetary Comparison Schedule - CABY Nevada City.	58
Budgetary Comparison Schedule - CABY Misc Agency.	59
Budgetary Comparison Schedule - Measure “S”.	60
Note to Budgetary Comparison Schedules.	61
Combining Nonmajor Fund Statements:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.	62-63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.	64-65

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

- **List of Officials**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
City Officials
For the Year Ended June 30, 2015

CITY COUNCIL

Terri Andersen, Mayor

Jennifer Ray, Vice Mayor

Robert Bergman

Duane Strawser

Evans Phelps

CITY STAFF

Mark Prestwich, City Manager

Niel Locke, City Clerk

David McKay, City Treasurer

Harold DeGraw, Consulting City Attorney

Sam Goodspeed, Fire Chief

Timothy Foley, Chief of Police

William J. Falconi, Consulting City Engineer

Verne Taylor, Director of Public Works

Catrina Olson, Assistant City Manager

Cindy Siegfried, City Planner

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

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

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada City, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1Q to the financial statements, in 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68, 69, and 71. The implementation of GASB 68 and 71 resulted in the restatement of beginning net position for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

As reported in Note 12, the net pension liability is measured as of June 30, 2014 and the pension expense is for the measurement period 2013-14. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

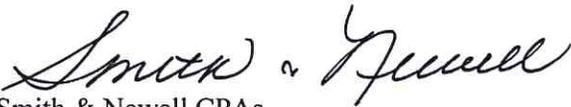
To the Honorable Mayor and Members of the City Council
City of Nevada City
Nevada City, California

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
January 22, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF NEVADA CITY
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2014/2015**

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, 2015. Please read this document in conjunction with the basic financial statements and the accompanying notes to those financial statements.

The City has a diverse local economy based on business and industry, local government employment, and tourism. This allows the City to provide a variety of services to all citizens. There has been a steady recovery in the local economy, an uptick in general fund revenues, and a slight decrease in business activity revenue tied to rate structure changes. The voters of Nevada City approved a three- eighths cent general purpose tax, Measure "L", on the November 2012 ballot. The improvement in the financial and economic condition of the City, as well as the passing of Measure "L", has provided the ability for the City to continue providing consistent service levels.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2015:

Entity-wide:

- ❑ The City's assets at the end of the year increased to \$30,905,429 up \$950,321 from the previous fiscal year. Of this total, \$16,177,607 is Governmental assets up \$723,265 from the previous fiscal year, and \$14,727,825 is Business Type assets up \$227,056 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year increased to \$7,965,876 up \$2,603,101 from the previous fiscal year. Of this total, \$2,908,120 is Governmental liabilities up \$2,291,081 from the previous fiscal year, and \$5,057,756 is Business Type liabilities up \$312,020 from the previous fiscal year.
- ❑ The net effect of the changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources left the City's net position at \$22,482,456 down \$2,109,877 from the previous fiscal year. Of this total, \$12,874,812 is Governmental down \$1,962,488 from the previous fiscal year, and \$9,607,644 is Business type down \$147,389 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$1,714,030 and general revenues and transfers of \$4,182,569 for total revenues of \$5,896,599. Governmental expenses were \$5,103,776.
- ❑ Business-type revenues include program revenues of \$2,202,745 and general revenues and transfers of (\$131,413) for total revenues of \$2,071,332. Business Type expenses were \$1,812,525.

Fund level:

- ❑ Governmental Fund Balances at the end of the fiscal year were \$1,766,405, a decrease of \$69,189 from the previous fiscal year.
- ❑ Governmental Fund revenues were \$5,675,745 in 2015 compared to \$5,562,497 in 2014, a favorable increase of \$113,248.
- ❑ Governmental Fund expenditures of \$5,906,305 increased \$573,955 from the previous fiscal year.

General Fund:

- ❑ The General Fund revenues of \$3,559,564 represents an increase of \$153,261 from the previous fiscal year.

- ❑ General Fund expenditures of \$3,481,298 represents an increase of \$91,801 from the previous fiscal year.
- ❑ General Fund other financing sources for the fiscal year totaled \$339,961 an increase of \$175,291 from the previous fiscal year.
- ❑
- ❑ At the end of the fiscal year, the General Fund balance was \$1,195,091 representing an increase of \$418,227 from the previous fiscal year.

OVERVIEW OF THE CITY'S ANNUAL FINANCIAL REPORT

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

Government – Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations explain the relationship between the fund statements and government-wide statements.

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

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

Notes to Financial Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Governmental Activities:

Table 1
Governmental Net Position at June 30, 2015

	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 2,183,797	\$ 1,715,967
Other assets	546,351	938,965
Capital assets	13,447,456	12,799,407
Total Assets	16,177,604	15,454,339
Pension adjustments	353,928	-
Total Deferred Outflows of Resources	353,928	-
Current liabilities	601,731	554,678
Long term liabilities	2,306,389	62,361
Total Liabilities	2,908,120	617,039
Pension adjustments	748,600	-
Total Deferred Inflows of Resources	748,600	-
Net Position:		
Net investment in capital assets	13,432,857	12,720,899
Restricted	2,030,534	1,800,647
Unrestricted	(2,588,579)	315,754
Total Net Position	\$ 12,874,812	\$ 14,837,300

The City's Governmental net position was \$12,874,812 as of June 30, 2015, a decrease of \$1,962,488 from the prior fiscal year. This increase is the change in net position shown in Table 2. The City's Governmental Net Position as of June 30, 2015 was comprised of the net of the following:

- Cash of \$2,183,797 held in six Certificates of Deposit, State of California's Local Agency Investment Fund and the City's money market savings and general checking accounts.
- Receivables of \$388,153 comprised of accrued revenues, loans, and amounts due from other funds.
- Prepaid costs of \$158,198.
- Capital assets net of depreciation charges of \$13,447,456, this includes all of the City's infrastructure as well as other capital assets used in government activities, see Notes 1 and 4 for additional information on capital assets.
- Deferred outflows of resources for pension adjustments of \$353,928.
- Current liabilities including accounts payable, accrued expenses, and amounts due to other funds totaling \$489,203.
- Long term debt of \$2,418,917 of which \$2,306,389 matures in future years and \$112,528 is due within one year. The significant increase in long term debt of \$2,244,028 is primarily associated to the reporting of future pension obligations. Notes 7 through 9 provide additional detail on the City's liabilities and long term debt, and Note 12 provides detail information regarding Governmental Accounting Standards Board (GASB) Statement No. 68 and posting for pension obligations.
- Deferred inflows of resources for pension adjustments of \$748,600.

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

Table 2
Changes in Governmental Net Position June 30, 2015

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for service	\$ 813,639	\$ 827,433
Grants and contributions	900,391	1,177,366
General revenues:		
Property taxes	1,599,068	1,504,565
Other taxes	2,173,423	2,066,139
Interest and investment earnings	91,797	90,616
Other general revenues	156,710	129,729
Total Revenues	5,735,028	5,795,848
Program Expenses:		
General government	1,914,797	1,597,350
Public safety	2,058,029	2,065,582
Public works	793,882	809,146
Parks and recreation	331,996	313,835
Interest on long-term debt	5,072	8,152
Total Expenses	5,103,776	4,794,065
Net Revenue (Expense) Before Transfers	631,252	1,001,783
Transfers	161,571	(16,881)
Change in Net Position	792,823	984,902
Net Position – Beginning	14,837,300	13,852,398
Cumulative effect of change in accounting principle	(2,755,311)	-
Net Position - Ending	\$ 12,874,812	\$ 14,837,300

Overall total Governmental revenues increased 2% from the prior fiscal year. Other taxes include sales and use tax, franchise tax, and transient occupancy tax. Sales and use tax increased 3.2% from the previous fiscal year despite the loss of a major sales tax provider in December 2015. Included in this increase, Measure “S” collections were \$576,588, Measure “L” collections were \$460,741, and sales tax was \$703,028. The combined franchise tax of \$145,472 and transient occupancy tax of \$287,593 increased 14% as compared to the previous fiscal year collections. The 2014/2015 assessed property valuations increased 2.8% over the fiscal year 2013/2014 assessed valuations. The City’s interest earnings were flat as compared to the prior fiscal year.

Table 2 shows that 29% of the City’s Governmental revenues were derived from fees for City services and grants, a decrease from the prior fiscal year at 34.7%. Charges for services decreased 1.7% or \$13,794 from the previous fiscal year. Grants and contributions decreased 23.5% from the previous fiscal year and is associated to the timing of grant reimbursement request submissions and receipt of the reimbursements.

Total Governmental expenses increased 6.5% from the previous fiscal year. The overall increase in program expense of \$309,711 is tied to increased operational and capital expenditure activity associated to general government grants and the Measure “L” tax. The increase of 14% is the net of a 20% increase in general government operational expenditures, a 2% decrease in public ways and facilities operational expenditures, and a 6% increase in parks and recreation operational expenditures as compared to the previous fiscal year. The City has received Funds Transfers, advanced against the City’s property taxes, from fiscal year 2008/2009 through current fiscal year 2014/2015 from the Nevada County Treasurer. The City used \$626,781 of the original advance to payoff Nevada City’s CalPERS side fund debt at a reduced interest rate, based on the Nevada County pooled investment rate, which has averaged .90% from fiscal year 2008/2009 – 2014/2015 versus the 7.75% that was being charged by CalPERS. The savings in interest has been used to offset the continued rising costs for the CalPERS benefit expense for fiscal years 2009/2010 through 2014/2015, as well as assisting in offsetting the annual increases in employee health benefits. In the fiscal year 2008/2009 the City implemented a one day per month furlough Citywide to assist in reducing operational cost, with the slight uptick in the economic condition of the City, employees were returned to full service 2012/2013.

The City implemented GASB 68 as of June 30, 2015 reporting period, accounting and financial reporting for pensions. The inclusion of this financial data improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. With the cumulative effect of this change in accounting principle, the City was required to show a prior period adjustment of (\$2,755,311) in an effort to provide a restated beginning Net Position.

Business-Type Activities:

**Table 3
Business-Type Net Position at June 30, 2015**

	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 2,244,274	\$ 1,874,370
Other assets	1,024,746	1,077,736
Capital assets	11,458,805	11,548,663
Total Assets	14,727,825	14,500,769
Pension adjustments	52,936	-
Total Deferred Outflows of Resources	52,936	-
Current liabilities	575,820	368,567
Long term liabilities	4,481,936	4,377,169
Total Liabilities	5,057,756	4,745,736
Pension adjustments	115,361	-
Total Deferred Inflows of Resources	115,361	-
Net Position:		
Net investment in capital assets	7,090,041	6,971,432
Restricted	338,997	301,555
Unrestricted	2,178,606	2,482,046
Total Net Position	\$ 9,607,644	\$ 9,755,033

The City’s Business Type enterprises consist of Water and Wastewater services. Total Net Position decreased 1.5%, primarily driven by an increase in the long term liabilities for the recording of current and future pension obligations associated to GASB 68 in the Wastewater and Water Treatment funds.

Table 4
Changes in Business-Type Net Position June 30, 2015

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Water	\$ 804,830	\$ 840,676
Wastewater	1,397,915	1,381,866
General revenues	30,158	24,712
Total Revenues	2,232,903	2,247,254
Expenses:		
Water	556,657	561,302
Wastewater	1,255,868	1,189,552
Total Expenses	1,812,525	1,750,854
Net Revenue (Expense) Before Transfers	420,378	496,400
Transfers	(161,571)	16,881
Change in Net Position	258,807	513,281
Net Position – Beginning	9,755,033	9,241,752
Cumulative effect of change in accounting principle	(406,196)	-
Net Position - Ending	\$ 9,607,644	\$ 9,755,033

The City's Business-type revenue decreased by 8.5%. Of the 8.5% decline, water revenue collections decreased 4.3% associated to community water conservation efforts during the ongoing drought conditions. The remainder of the decrease is associated to fund transfers from business type activities to governmental activities.

There was an increase of 3.5% in total business type activity expense. Water operational expenditures were flat as compared to the previous fiscal year. Wastewater operational expenses increased 5.6% over fiscal year 2013/2014.

The City implemented GASB 68 as of June 30, 2015 reporting period, accounting and financial reporting for pensions. The inclusion of this financial data improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. With the cumulative effect of this change in accounting principle the City was required to show a prior period adjustment of (\$406,196) in an effort to provide a restated beginning Net Position.

Table 5
Changes in Business-Type Net Position June 30, 2015
Net (Expense) Revenues from Services

	<u>2015</u>	<u>2014</u>
Water Services	\$ 34,640	\$ 248,287
Wastewater Services	(182,029)	132,646
Other Enterprise Funds	-	132,348
Totals	(\$ 147,389)	\$ 513,281

There was a decrease of (\$406,196) in changes to Net Position for business type activities from the previous fiscal year associated to prior period adjustments for current and future pension obligations. The change in Net Position for Water services was \$193,506 prior to the GASB 68 adjustment of (\$158,866) leaving a Net Position change of \$36,640 for fiscal year 2014/2015. The change in Net Position of Wastewater services was \$65,301 prior to the GASB 68 adjustment of (\$247,330) leaving a Net Position change of (\$182,029) for fiscal year 2014/2015.

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, 2015
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$ 1,630,332	\$ -	\$ 1,630,332
Structures & improvements	15,225,446	18,645,197	33,870,643
Vehicles, machinery, equipment and software	2,162,246	2,736,374	4,898,620
Construction in progress	816,876	15,641	832,517
Less accumulated depreciation	(6,387,444)	(9,938,407)	(16,325,851)
Totals	\$ 13,447,456	\$ 11,458,805	\$ 24,906,261

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 2014/2015 were in the area of land improvements and infrastructure. The City continued to work in many areas during the fiscal year 2014/2015 such as the Gold Flat Road and Zion Street Interchange, East Broad Street and Adams and Long Streets (Nimrod and Sacramento Streets) all funded by Congestion Mitigation and Air Quality Funds (CMAQ). The majority of additions in land improvements and infrastructure were tied to 6 projects within the Nevada City water collection system and water treatment plant funded by Proposition 84 funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Additions to capital assets for business activities were associated to a major water line and sewer line repair; see Note 4 of the financials for additional detail on changes in capital assets during the year.

Debt Administration

Table 7
Outstanding Debt at June 30, 2015

	Government Activities	Business Activities	Total
Loans payable	\$ -	\$ 762,764	\$ 762,764
Certificates of participation	-	3,606,000	3,606,000
Capital leases	14,599	-	14,599
Compensated absences payable	139,900	25,469	165,369
Net pension liability	2,264,418	321,759	2,586,177
Totals	\$ 2,418,917	\$ 4,715,992	\$ 7,134,909

At year-end, the City had \$7,134,909 in long term debt outstanding compared to \$4,818,137 at 06/30/14. The City had an overall increase in debt of \$2,316,772. The increase in outstanding debt of \$2,586,177 was associated to reporting future pension liability for government and business activities as a requirement of the new GASB 68 ruling setting forth changes in accounting principle. There was a decrease of \$208,467 associated to principal payments to the United States Department of Agriculture (USDA) for Certificates of Participation Series 2005 and 2007 for the Wastewater Treatment Plant upgrade that began fiscal year 2004/2005. The City also made scheduled principal payments on the USDA Sewer Fund Promissory note obtained in fiscal year 2007/2008. The City also issued a Transfer of Funds from Nevada County for .62%, leveraging anticipated property tax. This Funds Transfer was used for cash flow purposes for the fiscal year 2014/2015. The original Tax Revenue Anticipation Note (TRAN) taken from Nevada County in 2008/2009 was used to fund the payoff of the CalPERS side fund for \$626,781 that had an interest rate of 7.75%, the purchase of the DPW Vactron, 500 new water meter replacements, and the Solar Project installation at City Hall, Corp Yard, and the Swimming Pool. The Funds Transfer was for \$400,000 for fiscal year 2014/2015 and was repaid in two installments. The 1st installment of \$200,000 was repaid from the January 2015 Nevada City property tax payment, and the 2nd installment of \$200,000 was repaid from the May 2015 Nevada City property tax payment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget developed for fiscal year 2015/2016 was adopted by the City Council on June 24, 2015. The General Fund budget approved by the City Council anticipates \$3.8 million in revenues and \$3.7 million in expenditures, with Net (Expense)/Revenue being \$67,106 and operational reserve transfers from Measure "L" of \$179,050. The City will continue to closely monitor economic activity along with actions taken by regional and state governments that may impact the City's budget.

Revenue collections for sales tax, property tax, and remaining general fund revenues were projected to increase 1% compared to the 2014/2015 year end adjusted budget. The City projected flat sales tax and transient occupancy taxes, and increase of 2.2% in property taxes as compared to the 2014/2015 mid-year budget. The fiscal year 2015/2016 General Fund budget is projected to experience decreased expenditures of 10% as compared to the 2014/2015 mid-year adjusted budget associated to the reduction in debt repayment to Nevada County for the transfer of funds for \$400,000 received in previous fiscal year. With the slow economic recovery over the last four fiscal years the City has experienced less restrictive cash flows and did not request a Transfer of Funds debt issuance for fiscal year 2015/2016 for the first time since 2008/2009. The City is facing a challenge to secure a sustainable funding source to ensure the continuity of Fire Department operations, which experienced a loss of three staff members in April of 2015 when the Nevada County Consolidated Fire Department determined they could no longer afford to co-staff Nevada City Fire Station 54. Plans are underway to place a revenue measure on the November 2016 ballot to pay for the three new required firefighter positions.

Revenue collections for the special taxes Measure “S” and Measure “L” will continue to significantly assist the City maintaining streets and roads, as well as provide funding for infrastructure and building maintenance and improvements that were deferred during the economic decline.

The General Fund has maintained a slow but improving economic financial position over the last four fiscal years. The City has a positive unassigned fund balance of \$347,000 ending fiscal year 2014/2015. It continues to be crucial that City staff monitor incoming revenues and prioritize and review program expenditures to support preserving and improving the current financial status and providing adequate service levels to serve its constituency.

Contacting the City

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

Basic Financial Statements

- **Government-Wide Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,183,797	\$ 2,244,274	\$ 4,428,071
Receivables:			
Accounts	53,195	343,460	396,655
Interest	415	783	1,198
Taxes	421,221	-	421,221
Intergovernmental	489,200	60	489,260
Internal balances	(645,878)	645,878	-
Prepaid costs	7,857	4,935	12,792
Prepaid insurance	150,341	29,630	179,971
Loans receivable	70,000	-	70,000
Capital assets:			
Non depreciable assets	2,447,208	15,641	2,462,849
Depreciable assets, net of depreciation	11,000,248	11,443,164	22,443,412
Total capital assets	<u>13,447,456</u>	<u>11,458,805</u>	<u>24,906,261</u>
Total Assets	<u>16,177,604</u>	<u>14,727,825</u>	<u>30,905,429</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	<u>353,928</u>	<u>52,936</u>	<u>406,864</u>
Total Deferred Outflows of Resources	<u>353,928</u>	<u>52,936</u>	<u>406,864</u>
LIABILITIES			
Accounts payable	397,483	249,223	646,706
Salaries and benefits payable	73,418	11,108	84,526
Interest payable	103	81,351	81,454
Deposits payable	-	82	82
Unearned revenue	18,199	-	18,199
Long-term liabilities:			
Due within one year	112,528	234,056	346,584
Due in more than one year	2,306,389	4,481,936	6,788,325
Total Liabilities	<u>2,908,120</u>	<u>5,057,756</u>	<u>7,965,876</u>
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	<u>748,600</u>	<u>115,361</u>	<u>863,961</u>
Total Deferred Inflows of Resources	<u>748,600</u>	<u>115,361</u>	<u>863,961</u>

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	13,432,857	7,090,041	20,522,898
Restricted for:			
General government	948,302	-	948,302
Public protection	285,105	-	285,105
Public ways and facilities	701,402	-	701,402
Recreation and culture	95,725	-	95,725
Capital projects	-	25,689	25,689
Debt service	-	313,308	313,308
Unrestricted	(2,588,579)	2,178,606	(409,973)
Total Net Position	\$ 12,874,812	\$ 9,607,644	\$ 22,482,456

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

Continued (Page 2 of 2)

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,914,797	\$ 105,378	\$ 585,475	\$ (283,103)
Public protection	2,058,029	192,247	62,994	(12,277)
Public ways and facilities	793,882	324,920	141,442	405,860
Recreation and culture	331,996	191,094	-	-
Interest on long-term debt	5,072	-	-	-
Total Governmental Activities	5,103,776	813,639	789,911	110,480
Business-Type activities:				
Water	556,657	804,830	-	-
Sewer	1,255,868	1,397,915	-	-
Total Business-Type Activities	1,812,525	2,202,745	-	-
Total	\$ 6,916,301	\$ 3,016,384	\$ 789,911	\$ 110,480

General revenues:

Taxes:

Property taxes

Property transfer tax

Sales and use taxes

Franchise taxes

Transient occupancy taxes

Grants and contributions unrestricted

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Cumulative effect of a change in accounting principle

Net Position - Beginning, Restated

Net Position - Ending

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

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

Governmental Activities	Business-Type Activities	Total
\$ (1,507,047)	\$ -	\$ (1,507,047)
(1,815,065)	-	(1,815,065)
78,340	-	78,340
(140,902)	-	(140,902)
(5,072)	-	(5,072)
(3,389,746)	-	(3,389,746)
-	248,173	248,173
-	142,047	142,047
-	390,220	390,220
(3,389,746)	390,220	(2,999,526)
1,585,534	-	1,585,534
13,534	-	13,534
1,740,358	-	1,740,358
145,472	-	145,472
287,593	-	287,593
1,279	-	1,279
91,797	11,847	103,644
155,431	18,311	173,742
161,571	(161,571)	-
4,182,569	(131,413)	4,051,156
792,823	258,807	1,051,630
14,837,300	9,755,033	24,592,333
(2,755,311)	(406,196)	(3,161,507)
12,081,989	9,348,837	21,430,826
\$ 12,874,812	\$ 9,607,644	\$ 22,482,456

THIS PAGE INTENTIONALLY LEFT BLANK

Basic Financial Statements

- **Fund Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Balance Sheet
Governmental Funds
June 30, 2015

	General	CABY Nevada City	CABY Misc Agency	Measure "S"
ASSETS				
Cash and investments	\$ 922,165	\$ -	\$ -	\$ 400,199
Receivables:				
Accounts	47,909	-	-	1,200
Interest	-	-	-	112
Taxes	223,590	-	-	104,300
Intergovernmental	57,109	147,320	130,807	-
Prepaid costs	7,857	-	-	-
Prepaid insurance	148,131	-	-	2,210
Loans receivable	-	-	-	-
Total Assets	\$ 1,406,761	\$ 147,320	\$ 130,807	\$ 508,021
LIABILITIES				
Accounts payable	\$ 68,351	\$ 126,803	\$ 125,125	\$ 58,886
Salaries and benefits payable	71,614	-	-	1,185
Interest payable	3	-	-	-
Unearned revenue	18,199	-	-	-
Due to other funds	-	334,739	142,341	-
Total Liabilities	158,167	461,542	267,466	60,071
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	53,503	147,320	130,807	-
Total Deferred Inflows of Resources	53,503	147,320	130,807	-
FUND BALANCES				
Nonspendable	155,988	-	-	2,210
Restricted	470,167	-	-	445,740
Committed	193,585	-	-	-
Assigned	28,077	-	-	-
Unassigned	347,274	(461,542)	(267,466)	-
Total Fund Balances	1,195,091	(461,542)	(267,466)	447,950
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,406,761	\$ 147,320	\$ 130,807	\$ 508,021

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

Other Governmental Funds	Total Governmental Funds
\$ 861,433	\$ 2,183,797
4,086	53,195
303	415
93,331	421,221
153,964	489,200
-	7,857
-	150,341
70,000	70,000
<u>\$ 1,183,117</u>	<u>\$ 3,376,026</u>
\$ 18,318	\$ 397,483
619	73,418
100	103
-	18,199
168,798	645,878
<u>187,835</u>	<u>1,135,081</u>
<u>142,910</u>	<u>474,540</u>
<u>142,910</u>	<u>474,540</u>
-	158,198
767,298	1,683,205
39,665	233,250
149,466	177,543
(104,057)	(485,791)
<u>852,372</u>	<u>1,766,405</u>
<u>\$ 1,183,117</u>	<u>\$ 3,376,026</u>

CITY OF NEVADA CITY
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2015

Total Fund Balance - Total Governmental Funds	\$ 1,766,405
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	13,447,456
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	474,540
Deferred outflows of resources related to pensions are not reported in the governmental funds.	353,928
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(748,600)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated absences payable	(139,900)
Capital leases payable	(14,599)
Net pension liability	<u>(2,264,418)</u>
Net Position of Governmental Activities	<u>\$ 12,874,812</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	CABY Nevada City	CABY Misc Agency	Measure "S"
REVENUES				
Taxes and assessments	\$ 2,588,521	\$ -	\$ -	\$ 576,588
Licenses and permits	228,276	-	-	-
Fines and forfeitures	90,807	-	-	-
Intergovernmental revenues	99,666	78,905	60,035	-
Use of money and property	86,654	(2)	(1)	1,783
Charges for services	322,192	-	-	-
Other revenues	143,448	-	-	-
Total Revenues	3,559,564	78,903	60,034	578,371
EXPENDITURES				
Current:				
General government	973,537	80,372	254,241	-
Public protection	1,772,177	-	-	-
Public ways and facilities	275,154	-	-	87,138
Recreation and culture	274,151	-	-	-
Debt service:				
Principal	63,909	-	-	-
Interest and other charges	5,072	-	-	-
Capital outlay	117,298	363,831	-	553,500
Total Expenditures	3,481,298	444,203	254,241	640,638
Excess of Revenues Over (Under) Expenditures	78,266	(365,300)	(194,207)	(62,267)
OTHER FINANCING SOURCES (USES)				
Transfers in	341,155	-	-	-
Transfers out	(1,194)	-	-	(59,999)
Total Other Financing Sources (Uses)	339,961	-	-	(59,999)
Net Change in Fund Balances	418,227	(365,300)	(194,207)	(122,266)
Fund Balances - Beginning	776,864	(96,242)	(73,259)	570,216
Fund Balances - Ending	\$ 1,195,091	\$ (461,542)	\$ (267,466)	\$ 447,950

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

Other Governmental Funds	Total Governmental Funds
\$ 858,948	\$ 4,024,057
-	228,276
-	90,807
524,613	763,219
3,362	91,796
-	322,192
11,950	155,398
<u>1,398,873</u>	<u>5,675,745</u>
591,192	1,899,342
194,636	1,966,813
53,199	415,491
3,486	277,637
-	63,909
-	5,072
<u>243,612</u>	<u>1,278,241</u>
<u>1,086,125</u>	<u>5,906,505</u>
<u>312,748</u>	<u>(230,760)</u>
53,332	394,487
<u>(171,723)</u>	<u>(232,916)</u>
<u>(118,391)</u>	<u>161,571</u>
194,357	(69,189)
<u>658,015</u>	<u>1,835,594</u>
<u>\$ 852,372</u>	<u>\$ 1,766,405</u>

CITY OF NEVADA CITY
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (69,189)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	1,278,241
Less current year depreciation	(630,192)

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

Principal retirements	63,909
-----------------------	--------

Some revenues reported in the statement of activities will not be collected for several months after the City's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Change in unavailable revenue	59,282
-------------------------------	--------

Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.

Deferred outflows of resources related to pensions	353,928
Deferred inflows of resources related to pensions	(748,600)

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	(5,449)
Change in net pension liability	490,893

Change in Net Position of Governmental Activities	\$ 792,823
--	-------------------

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

CITY OF NEVADA CITY
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 25,683	\$ 2,218,591	\$ 2,244,274
Receivables:			
Accounts	125,558	217,902	343,460
Interest	2	781	783
Intergovernmental	-	60	60
Due from other funds	-	716,682	716,682
Prepaid costs	1,293	3,642	4,935
Prepaid insurance	10,939	18,691	29,630
Total Current Assets	163,475	3,176,349	3,339,824
Noncurrent Assets:			
Non depreciable assets	14,666	975	15,641
Depreciable assets, net of accumulated depreciation	1,908,736	9,534,428	11,443,164
Total Noncurrent Assets	1,923,402	9,535,403	11,458,805
Total Assets	2,086,877	12,711,752	14,798,629
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	21,263	31,673	52,936
Total Deferred Outflows of Resources	21,263	31,673	52,936
LIABILITIES			
Current Liabilities:			
Accounts payable	22,385	226,838	249,223
Salaries and benefits payable	3,883	7,225	11,108
Interest payable	1,475	79,876	81,351
Deposits payable	82	-	82
Due to other funds	70,804	-	70,804
Compensated absences	4,973	12,856	17,829
Loans payable	94,771	63,456	158,227
Certificates of participation	-	58,000	58,000
Total Current Liabilities	198,373	448,251	646,624
Noncurrent Liabilities:			
Compensated absences	2,130	5,510	7,640
Loans payable	48,844	555,693	604,537
Certificates of participation	-	3,548,000	3,548,000
Net pension liability	126,098	195,661	321,759
Total Noncurrent Liabilities	177,072	4,304,864	4,481,936
Total Liabilities	375,445	4,753,115	5,128,560

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities		Totals
	Enterprise Funds		
	Water	Sewer	
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	45,211	70,150	115,361
Total Deferred Inflows of Resources	<u>45,211</u>	<u>70,150</u>	<u>115,361</u>
NET POSITION			
Net investment in capital assets	1,779,787	5,310,254	7,090,041
Restricted for capital projects	25,689	-	25,689
Restricted for debt service	50,000	263,308	313,308
Unrestricted	(167,992)	2,346,598	2,178,606
Total Net Position	<u>\$ 1,687,484</u>	<u>\$ 7,920,160</u>	<u>\$ 9,607,644</u>

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

Continued (Page 2 of 2)

CITY OF NEVADA CITY
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 788,193	\$ 1,386,982	\$ 2,175,175
Other revenues	17,812	499	18,311
Total Operating Revenues	806,005	1,387,481	2,193,486
OPERATING EXPENSES			
Salaries and benefits	198,302	277,338	475,640
Supplies	35,668	21,769	57,437
Power	91,960	68,852	160,812
Repairs and maintenance	2,756	50,443	53,199
Professional services	34,624	87,043	121,667
Insurance	12,627	15,732	28,359
Depreciation	126,986	405,821	532,807
Other expenses	46,879	151,926	198,805
Total Operating Expenses	549,802	1,078,924	1,628,726
Operating Income (Loss)	256,203	308,557	564,760
NON-OPERATING REVENUES (EXPENSES)			
Mitigation fees	16,637	10,933	27,570
Interest income	(141)	11,988	11,847
Interest expense	(6,855)	(176,944)	(183,799)
Total Non-Operating Revenues (Expenses)	9,641	(154,023)	(144,382)
Income (loss) Before Transfers	265,844	154,534	420,378
Transfers in	-	-	-
Transfers out	(72,338)	(89,233)	(161,571)
Change in Net Position	193,506	65,301	258,807
Total Net Position - Beginning	1,652,844	8,102,189	9,755,033
Cumulative effect of a change in accounting principle	(158,866)	(247,330)	(406,196)
Total Net Position - Beginning, Restated	1,493,978	7,854,859	9,348,837
Total Net Position - Ending	\$ 1,687,484	\$ 7,920,160	\$ 9,607,644

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, 2015

	Business-Type Activities		Totals
	Enterprise Funds		
	Water	Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 818,275	\$ 1,403,299	\$ 2,221,574
Payments to suppliers	(226,473)	(191,498)	(417,971)
Payments to employees	(207,794)	(290,668)	(498,462)
Net Cash Provided (Used) by Operating Activities	384,008	921,133	1,305,141
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Mitigation fees	16,637	10,933	27,570
Transfers to other funds	(72,338)	(89,233)	(161,571)
Interfund loan repayments received	-	43,378	43,378
Interfund loans received	85	-	85
Interfund loans repaid	(19,366)	-	(19,366)
Net Cash Provided (Used) by Noncapital Financing Activities	(74,982)	(34,922)	(109,904)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(192,429)	(250,521)	(442,950)
Principal paid on debt	(91,011)	(117,456)	(208,467)
Interest paid on debt	(8,725)	(178,986)	(187,711)
Net Cash Provided (Used) by Capital and Related Financing Activities	(292,165)	(546,963)	(839,128)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	(151)	13,946	13,795
Net Cash Provided (Used) by Investing Activities	(151)	13,946	13,795
Net Increase (Decrease) in Cash and Cash Equivalents	16,710	353,194	369,904
Balances - Beginning	8,973	1,865,397	1,874,370
Balances - Ending	\$ 25,683	\$ 2,218,591	\$ 2,244,274

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

Continued (Page 1 of 2)

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 256,203	\$ 308,557	\$ 564,760
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	126,986	405,821	532,807
Decrease (increase) in:			
Accounts receivable	12,188	15,878	28,066
Due from other governments	-	(60)	(60)
Prepaid costs	1,175	93	1,268
Prepaid insurance	(1,325)	(1,020)	(2,345)
Pension adjustments - deferred outflows	(4,580)	(5,788)	(10,368)
Increase (decrease) in:			
Accounts payable	(1,809)	205,194	203,385
Salaries and benefits payable	658	1,011	1,669
Deposits payable	82	-	82
Compensated absences	(1,330)	(1,149)	(2,479)
Net pension liability	(46,198)	(71,682)	(117,880)
Pension adjustments - deferred inflows	41,958	64,278	106,236
Net Cash Provided (Used) by Operating Activities	\$ 384,008	\$ 921,133	\$ 1,305,141

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

Continued (Page 2 of 2)

THIS PAGE INTENTIONALLY LEFT BLANK

Basic Financial Statements

- **Notes to Basic Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Component Units

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

Joint Agencies

The City is a participant in Public Agency Risk Sharing Authority of California (PARSAC), which is a joint powers authority organized for the purpose of pooled joint-protection coverage to member entities. PARSAC operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and the pool purchases excess insurance for members. PARSAC is under the control and direction of a 9 member executive committee consisting of representatives of the 36 member cities and one fire district. Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The City is participant in Northern California Cities Self-Insurance Fund (NCCSIF), the purpose of which is for members cities to share in the administrative costs of providing liability and workers' compensation insurance. The NCCSIF is governed by a board of directors appointed by the member cities. Complete financial information can be obtained from the Program Administrator, 600 Montgomery Street, 9th Floor, San Francisco, CA 94111. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Agencies (Continued)

The City is a participant in the Nevada County Service Authority for the Abatement of Abandoned Vehicles program, which was created pursuant to California Vehicle Code Section 22710 in order for the County of Nevada, City of Nevada, and City of Grass Valley to join together and establish a service authority for the abatement of abandoned vehicles. The County or City abatement ordinances that are realized by the County or City less the respective administrative costs are deposited in the Authority trust account. Complete financial activity of this trust account can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The City is a participant in Western Nevada Public Transportation Authority, the purpose of which is to provide transportation services to the citizens of Nevada County including Nevada City. Complete financial activity can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

The City is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services. The City participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the City. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and 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, 2015

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 proprietary funds are separately aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public protection, public ways and facilities, community development, and recreation and culture services.
- The CABY Nevada City Fund is a special revenue fund used to account for revenues and expenditures related to the City's Cosumnes, American, Bear, and Yuba (CABY) watersheds.
- The CABY Misc Agency Fund is a special revenue fund used to account for revenues and expenditures related to other CABY projects.
- 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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 position.

E. Cash, Cash Equivalents, and Investments

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

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

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

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

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

G. Other Assets

Inventory

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

Prepaid Items

Payments made for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items under both the accrual and modified accrual basis of accounting. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The City records both prepaid costs for expenditures/expenses paid for services that will benefit future periods and prepaid insurance for the net investment in a joint power self insurance agency.

H. Loans Receivable

For the purpose of the governmental fund financial statements, special revenue fund expenditures relating to long-term loans receivable arising from mortgage subsidy programs are charged to operations upon funding and the loans receivable are recorded. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. The City reported \$70,000 in loans receivable as of June 30, 2015.

I. Capital Assets

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

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

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

J. 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.

K. Interfund Transactions

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

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

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions (Continued)

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

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

L. Unearned Revenue

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

M. Compensated Absences and Postemployment Benefits

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

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

N. Pensions

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has one item that qualifies for reporting in this category. This item relates to the pension adjustments and is reportable on the Statement of Net Position.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to the pension adjustments and is reportable on the Statements of Net Position.

P. 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.

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

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

Statement No. 68, Accounting and Financial Reporting for Pensions. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net position. During the current year a prior period adjustment was made to reflect the prior period costs related to implementing the net pension liability as required by GASB Statement No. 68.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Restatement of Net Position (Continued)

The impact of the restatements on the net position on the financial statements as previously reported is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, June 30, 2014, as previously reported	\$ 14,837,300	\$ 9,755,033
Adjustment associated with:		
Net pension liability adjustment	(2,755,311)	(406,196)
Total Adjustments	(2,755,311)	(406,196)
Net Position, July 1, 2014, as restated	<u>\$ 12,081,989</u>	<u>\$ 9,348,837</u>
	<u>Water</u>	<u>Sewer</u>
Net Position, June 30, 2014, as previously reported	\$ 1,652,844	\$ 8,102,189
Adjustment associated with:		
Net pension liability adjustment	(158,866)	(247,330)
Total Adjustments	(158,866)	(247,330)
Net Position, July 1, 2014, as restated	<u>\$ 1,493,978</u>	<u>\$ 7,854,859</u>

B. Deficit Fund Balance/Net Position

The Following major governmental funds had deficit fund balances:

The CABY Nevada City special revenue fund had a fund balance deficit of \$461,542, which is expected to be eliminated in the future through increased revenues.

The CABY Misc Agency special revenue fund had a fund balance deficit of \$267,466, which is expected to be eliminated in the future through increased revenues.

The following non-major governmental funds had deficit fund balances:

The Nevada Main Project special revenue fund had a fund balance deficit of \$6,532, which is expected to be eliminated in the future through increased revenues.

The TDA Funds special revenue fund had a fund balance deficit of \$602, which is expected to be eliminated in the future through increased revenues.

The CMAQ ST & RD special revenue fund had a fund balance deficit of \$31,669, which is expected to be eliminated in the future through increased revenues.

The FEMA special revenue fund had a fund balance deficit of \$394, which is expected to be eliminated in the future through increased revenues.

The UST Project special revenue fund had a fund balance deficit of \$11,025, 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, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Balance/Net Position (Continued)

The Brownsfield 10 special revenue fund had a fund balance deficit of \$6,427, which is expected to be eliminated in the future through increased revenues.

The NC Recreation special revenue fund had a fund balance deficit of \$3,232, which is expected to be eliminated in the future through increased revenues.

The CDBG Enterprise special revenue fund had a fund balance deficit of \$44,176, which is expected to be eliminated in the future through increased revenues.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2015, the City's cash and investments are reported in the financial statements as follows:

Governmental activities	\$ 2,183,797
Business-Type activities	<u>2,244,274</u>
Total Cash and Investments	<u><u>\$ 4,428,071</u></u>

As of June 30, 2015, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 575
Deposits (less outstanding checks)	<u>1,409,943</u>
Total Cash	<u>1,410,518</u>
Investments:	
Certificates of Deposit	1,487,000
Local Agency Investment Fund	<u>1,530,553</u>
Total Investments	<u>3,017,553</u>
Total Cash and Investments	<u><u>\$ 4,428,071</u></u>

B. Cash

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$1,409,943 and the bank balance was \$1,571,966. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the City had cash on hand of \$575.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Cash (Continued)

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

C. Investments

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

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

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

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the City's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the City to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the City Council.

As of June 30, 2015, the City had the following investments all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Certificates of Deposit	0.65-1.80%	\$ 248,000	\$ 1,239,000	\$ 1,487,000	1.69
Local Agency Investment Fund (LAIF)	Variable	1,530,553	-	1,530,553	-
Total Investments		<u>\$ 1,778,553</u>	<u>\$ 1,239,000</u>	<u>\$ 3,017,553</u>	<u>0.84</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Certificates of Deposit	N/A	Unrated	Unrated	49.28%
LAIF	N/A	Unrated	Unrated	<u>50.72%</u>
Total				<u>100.00%</u>

Custodial Credit Risk for Investments- Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the City's investment policy requires that all of its managed investments be held in the name of the City in safekeeping by a third party bank trust department. Custodial credit risk does not apply to 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. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The City's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) at June 30, 2015, that represent 5 percent or more of total City investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Certificates of Deposit	\$ 1,487,000	49.28%

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, 2015 the City's investment position in LAIF was \$1,530,553. The total amount invested by all public agencies in LAIF on that day was \$69,606,487,716. Of that amount, 97.92% is invested in non-derivative financial products and 2.08% in structured notes and asset-backed securities.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

Governmental Activities

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	Balance <u>June 30, 2015</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 1,630,332	\$ -	\$ -	\$ -	\$ 1,630,332
Construction in progress	<u>828,864</u>	<u>1,004,476</u>	<u> </u>	<u>(1,016,464)</u>	<u>816,876</u>
Total Capital Assets, Not Being Depreciated	<u>2,459,196</u>	<u>1,004,476</u>	<u> </u>	<u>(1,016,464)</u>	<u>2,447,208</u>
Capital Assets, Being Depreciated:					
Land improvements/infrastructure	9,738,368	141,835	-	927,434	10,807,637
Building and improvements	4,328,779	-	-	89,030	4,417,809
Equipment	747,013	57,104	(82,629)	-	721,488
Software	42,041	-	-	-	42,041
Vehicles	<u>1,474,510</u>	<u>74,826</u>	<u>(150,619)</u>	<u> </u>	<u>1,398,717</u>
Total Capital Assets, Being Depreciated	<u>16,330,711</u>	<u>273,765</u>	<u>(233,248)</u>	<u>1,016,464</u>	<u>17,387,692</u>
Less Accumulated Depreciation for:					
Land improvements	(3,015,039)	(361,012)	-	-	(3,376,051)
Buildings and improvements	(1,484,726)	(113,824)	-	-	(1,598,550)
Equipment	(628,024)	(31,690)	82,629	-	(577,085)
Software	(42,041)	-	-	-	(42,041)
Vehicles	<u>(820,670)</u>	<u>(123,666)</u>	<u>150,619</u>	<u> </u>	<u>(793,717)</u>
Total Accumulated Depreciation	<u>(5,990,500)</u>	<u>(630,192)</u>	<u>233,248</u>	<u> </u>	<u>(6,387,444)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,340,211</u>	<u>(356,427)</u>	<u> </u>	<u>1,016,464</u>	<u>11,000,248</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,799,407</u>	<u>\$ 648,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,447,456</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 14,666	\$ 975	\$ -	\$ 15,641
Total Capital Assets, Not Being Depreciated	<u>14,666</u>	<u>975</u>	<u>-</u>	<u>15,641</u>
Capital Assets, Being Depreciated:				
Structures and improvements	18,270,403	374,794	-	18,645,197
Equipment	2,592,802	67,180	(6,028)	2,653,954
Vehicles	<u>82,420</u>	<u>-</u>	<u>-</u>	<u>82,420</u>
Total Capital Assets, Being Depreciated	<u>20,945,625</u>	<u>441,974</u>	<u>(6,028)</u>	<u>21,381,571</u>
Less Accumulated Depreciation for:				
Structures and improvements	(7,931,097)	(462,897)	-	(8,393,994)
Equipment	(1,401,965)	(64,217)	6,028	(1,460,154)
Vehicles	<u>(78,566)</u>	<u>(5,693)</u>	<u>-</u>	<u>(84,259)</u>
Total Accumulated Depreciation	<u>(9,411,628)</u>	<u>(532,807)</u>	<u>6,028</u>	<u>(9,938,407)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,533,997</u>	<u>(90,833)</u>	<u>-</u>	<u>11,443,164</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,548,663</u>	<u>(\$ 89,858)</u>	<u>\$ -</u>	<u>\$ 11,458,805</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 55,143
Public safety	139,845
Public ways and facilities	375,117
Recreation and culture	<u>60,087</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 630,192</u>

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

Water	\$ 126,986
Sewer	<u>405,821</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 532,807</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, 2015

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, 2015:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
CABY Nevada City	\$ -	\$ 334,739
CABY Misc Agency	-	142,341
Nonmajor Governmental Funds	-	168,798
Water	-	70,804
Sewer	<u>716,682</u>	<u>-</u>
Total	<u>\$ 716,682</u>	<u>\$ 716,682</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, 2015:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 341,155	\$ 1,194
Measure "S"	-	59,999
Nonmajor Governmental Funds	53,332	171,723
Water	-	72,338
Sewer	<u>-</u>	<u>89,233</u>
Total	<u>\$ 394,487</u>	<u>\$ 394,487</u>

NOTE 6: UNEARNED REVENUE

At June 30, 2015, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
July and August 2015 Swim Lessons	\$ 8,789
July 2015 Lego Camp Revenues	3,468
July 2015 Kid Science Camp Revenues	4,736
2015-2016 Business License Revenue	101
Mandated Costs	<u>1,105</u>
Total Unearned	<u>\$ 18,199</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2014</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 134,450	\$ 130,980	(\$ 125,530)	\$ 139,900	\$ 97,929
Capital Leases	78,508	-	(63,909)	14,599	14,599
Net Pension Liability	<u>-</u>	<u>3,032,269*</u>	<u>(767,851)</u>	<u>2,264,418</u>	<u>-</u>
Total Governmental Activities	<u>\$ 212,958</u>	<u>\$ 3,163,249</u>	<u>(\$ 957,290)</u>	<u>\$ 2,418,917</u>	<u>\$ 112,528</u>
Business-Type Activities					
Compensated Absences	\$ 27,948	\$ 18,849	(\$ 21,328)	\$ 25,469	\$ 17,829
Loans	916,231	-	(153,467)	762,764	158,227
Certificates of Participation	3,661,000	-	(55,000)	3,606,000	58,000
Net Pension Liability	<u>-</u>	<u>439,639*</u>	<u>(117,880)</u>	<u>321,759</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 4,605,179</u>	<u>\$ 458,488</u>	<u>(\$ 347,675)</u>	<u>\$ 4,715,992</u>	<u>\$ 234,056</u>

*In accordance with GASB 68, the net pension liability is recorded as a restatement of beginning net position. The adjustment to long-term liabilities is the total adjustment less the adjustments to deferred outflows and deferred inflows.

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

Individual issues of debt payable outstanding at June 30, 2015, are as follows:

Loans:

All Points Capital Bond Refinance Loan, dated September 1, 2005, payable in annual installments of \$49,843 to \$67,877 with an interest rate of 4.09% and maturity of October 1, 2016. This loan was used to refinance prior loans used to finance the City's water system. \$ 143,614

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. 619,150

Total Loans 762,764

Certificates of Participation:

2005 Wastewater Certificates of Participation, dated October 1, 2005, payable in annual principal installments of \$16,000 to \$48,000, with an interest rate of 4.25%, and maturity of July 15, 2045. These Certificates of Participation were used to finance improvements to the City's wastewater collection, treatment and disposal system. 1,960,000

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2015, are as follows: (Continued)

Certificates of Participation: (Continued)

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

Total Certificates of Participation	1,646,000
Total Business-Type Activities	3,606,000
	\$ 4,368,764

Following is a schedule of debt payment requirements of business-type activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities, capital leases which are reported in Note 9, and net pension liability which is reported in Note 12.

Year Ended <u>June 30</u>	Loans Payable		
	Principal	Interest	Total
2016	\$ 158,227	\$ 29,065	\$ 187,292
2017	113,050	22,529	135,579
2018	65,928	18,860	84,788
2019	71,594	16,037	87,631
2020	72,227	13,085	85,312
2021-2025	264,238	29,777	294,015
2026	17,500	359	17,859
Total	\$ 762,764	\$ 129,712	\$ 892,476

Year Ended <u>June 30</u>	Certificates of Participation		
	Principal	Interest	Total
2016	\$ 58,000	\$ 149,982	\$ 207,982
2017	60,000	147,508	207,508
2018	62,000	144,949	206,949
2019	65,000	142,286	207,286
2020	67,000	144,017	211,017
2021-2025	382,000	651,806	1,033,806
2026-2030	470,000	562,721	1,032,721
2031-2035	577,000	453,344	1,030,344
2036-2040	709,000	318,902	1,027,902
2041-2045	870,000	153,894	1,023,894
2046-2047	286,000	9,680	295,680
Total	\$ 3,606,000	\$ 2,879,089	\$ 6,485,089

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 8: SHORT-TERM DEBT

The City received a short-term loan from the County of Nevada to fund current expenditure requirements. Short-term debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Nevada County Loan	\$ -	\$ 400,000	\$ 400,000	\$ -
Total	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>

NOTE 9: LEASES

Capital Leases

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

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2015</u>
Governmental fund activities	4.39-5.95%	\$ 14,599
Total Capital Lease Obligations		<u>\$ 14,599</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 127,242
Less: accumulated depreciation	(50,897)
Net Value	<u>\$ 76,345</u>

As of June 30, 2015, capital lease annual amortization was as follows:

	<u>Governmental Activities</u>
Year Ending June 30:	
2016	<u>\$ 15,467</u>
Total Requirements	15,467
Less Interest	(868)
Present Value of Remaining Payments	<u>\$ 14,599</u>

NOTE 10: NET POSITION

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10: NET POSITION (CONTINUED)

- **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **Unrestricted net position** - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$2,369,531 of restricted net position, of which \$1,044,166 is restricted by enabling legislation.

Net Position Flow Assumption

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

NOTE 11: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2015, fund balances for governmental funds are made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: FUND BALANCES (CONTINUED)

- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the City's highest level of decision making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the City's General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all the major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	General Fund	CABY Nevada City	CABY Misc Agency	Measure "S"	Other Governmental Funds	Total
Nonspendable:						
Prepaid costs	\$ 155,988	\$ -	\$ -	\$ 2,210	\$ -	\$ 158,198
Subtotal	<u>155,988</u>	<u>-</u>	<u>-</u>	<u>2,210</u>	<u>-</u>	<u>158,198</u>
Restricted for:						
General reserve	470,167	-	-	-	-	470,167
Measure "S"	-	-	-	445,740	-	445,740
Measure "L"	-	-	-	-	403,130	403,130
AB1600	-	-	-	-	193,086	193,086
P&R Quimby	-	-	-	-	29,054	29,054
Gas Tax Streets	-	-	-	-	82,668	82,668
Fire Dept	-	-	-	-	5,016	5,016
SLESF	-	-	-	-	54,344	54,344
Subtotal	<u>470,167</u>	<u>-</u>	<u>-</u>	<u>445,740</u>	<u>767,298</u>	<u>1,683,205</u>
Committed to:						
General reserve	193,585	-	-	-	-	193,585
Prop 172	-	-	-	-	39,665	39,665
Subtotal	<u>193,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,665</u>	<u>233,250</u>
Assigned to:						
General reserve	28,077	-	-	-	-	28,077
Park & Rec Raffle	-	-	-	-	9,284	9,284
Indian Trail	-	-	-	-	48,572	48,572
MATHIVET	-	-	-	-	72,413	72,413
Bicentennial	-	-	-	-	1,098	1,098
Becker	-	-	-	-	18,099	18,099
Subtotal	<u>28,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,466</u>	<u>177,543</u>
Unassigned	<u>347,274</u>	<u>(461,542)</u>	<u>(267,466)</u>	<u>-</u>	<u>(104,057)</u>	<u>(485,791)</u>
Total	<u>\$ 1,195,091</u>	<u>(\$ 461,542)</u>	<u>(\$ 267,466)</u>	<u>\$ 447,950</u>	<u>\$ 852,372</u>	<u>\$ 1,766,405</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

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

Fund Balance Policy

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

NOTE 12: PENSION PLANS

A. General Information About the Pension Plans

Plan Descriptions

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

Effective January 1, 2013, the City added retirement tiers for both Miscellaneous and Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the City's retirement costs. As of the valuation date there were no Safety PEPRA employees.

Summary of Plans and Eligible Participants

Open for New Enrollment

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

Closed to New Enrollment

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

A. General Information About the Pension Plans (Continued)

Benefits Provided

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

Each Plans' specific provisions and benefits in effect at June 30, 2015, are summarized as follows:

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

Contributions

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

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous First Tier	15.701%	8.000%	6.000%
Miscellaneous Second Tier	8.435%	8.000%	2.000%
Miscellaneous PEPRA	6.250%	6.250%	0.000%
Safety First Tier	27.849%	9.000%	7.000%
Safety PEPRA	11.500%	11.500%	0.000%

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2015. The contributions recognized as part of pension expense for each Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous First Tier	\$ 111,124	\$ 44,527
Miscellaneous Second Tier	4,521	911
Miscellaneous PEPRAs	3,027	-
Safety First Tier	191,727	50,678

As of June 30, 2015, the City reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous First Tier	\$ 1,118,202
Miscellaneous Second Tier	4,657
Miscellaneous PEPRAs	57
Safety First Tier	<u>1,463,261</u>
Total Net Pension Liability	<u>\$ 2,586,177</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Proportion June 30, 2013</u>	<u>Proportion June 30, 2014</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous First Tier	.01895%	.01797%	(.00098)%
Miscellaneous Second Tier	.00008%	.00007%	(.00001)%
Miscellaneous PEPRAs	.00000%	.00000%	(.00000)%
Safety First Tier	.02404%	.02352%	(.00052)%

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2015, the City recognized pension expense of \$278,756. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 396,990	\$ -
Differences between projected and actual earnings on pension plan investments	-	(849,461)
Difference between City contributions and proportionate share of contributions	-	(14,500)
Adjustment due to differences in proportions	<u>9,874</u>	<u>-</u>
Total	<u>\$ 406,864</u>	<u>(\$ 863,961)</u>

\$396,990 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2016	(\$ 217,263)
2017	(217,263)
2018	(214,772)
2019	(204,789)
Thereafter	<u>-</u>
Total	<u>(\$ 854,087)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	2.75%
Projected Salary Increase	3.3%-14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS membership data for all funds

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

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

Discount Rate (Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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

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

	1% Decrease <u>6.50%</u>	Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Miscellaneous First Tier	\$ 1,992,291	\$1,118,202	\$ 392,792
Miscellaneous Second Tier	8,298	4,657	1,636
Miscellaneous PEPRA	101	57	20
Safety First Tier	2,518,084	1,463,261	594,133

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12: PENSION PLANS (CONTINUED)

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

Pension Plan Fiduciary Net Position

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

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

The City is a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self-insured \$100,000 retention for workers compensation. The NCCSIF is composed of 22 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing. NCCSIF is a joint powers agency organized in accordance with Article 1, Chapter 5, Division 7, Title 1 of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The Authority provides claims processing administrative services, risk management services, and actuarial studies. It is governed by a member from each city. The City of Nevada City council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The Authority is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. Upon termination of the JPA agreement, all property of the Authority will vest in the respective parties which theretofore transferred, conveyed or leased said property to the Authority. Any surplus of funds will be returned to the parties in proportion to actual balances of each equity.

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 13: RISK MANAGEMENT (CONTINUED)

The participants as of June 30, 2015 were as follows:

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

The City's investment in the NCCSIF of \$179,971 is recorded in the General fund, Measure "S" fund, and water and sewer funds as prepaid insurance. The net change is shown as an income or expenditure/expense item.

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

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

B. Subsequent Event

Management has evaluated events subsequent to June 30, 2015 through January 22, 2016, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Required Supplementary Information
City Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous First Tier	
Proportion of the net pension liability	0.01797%
Proportionate share of the net pension liability	\$ 1,118,202
Covered employee payroll	784,987
Proportionate share of the net pension liability as a percentage of covered employee payroll	142.45%
Plan fiduciary net position as a percentage of the total pension liability	83.03%
Miscellaneous Second Tier	
Proportion of the net pension liability	0.00007%
Proportionate share of the net pension liability	\$ 4,657
Covered employee payroll	50,452
Proportionate share of the net pension liability as a percentage of covered employee payroll	9.23%
Plan fiduciary net position as a percentage of the total pension liability	83.03%
Miscellaneous PEPR	
Proportion of the net pension liability	0.00000%
Proportionate share of the net pension liability	\$ 57
Covered employee payroll	26,737
Proportionate share of the net pension liability as a percentage of covered employee payroll	0.21%
Plan fiduciary net position as a percentage of the total pension liability	82.83%
Safety First Tier	
Proportion of the net pension liability	0.02352%
Proportionate share of the net pension liability	\$ 1,463,261
Covered employee payroll	768,634
Proportionate share of the net pension liability as a percentage of covered employee payroll	190.37%
Plan fiduciary net position as a percentage of the total pension liability	81.42%

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

CITY OF NEVADA CITY
Required Supplementary Information
City Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous First Tier	
Contractually required contribution (actuarially determined)	\$ 111,124
Contributions in relation to the actuarially determined contributions	(111,124)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 784,987
Contributions as a percentage of covered employee payroll	14.16%
 Miscellaneous Second Tier	
Contractually required contribution (actuarially determined)	\$ 4,521
Contributions in relation to the actuarially determined contributions	(4,521)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 50,452
Contributions as a percentage of covered employee payroll	8.96%
 Miscellaneous PEPRA	
Contractually required contribution (actuarially determined)	\$ 3,027
Contributions in relation to the actuarially determined contributions	(3,027)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 26,737
Contributions as a percentage of covered employee payroll	11.32%
 Safety First Tier	
Contractually required contribution (actuarially determined)	\$ 191,727
Contributions in relation to the actuarially determined contributions	(191,727)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 768,634
Contributions as a percentage of covered employee payroll	24.94%

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

CITY OF NEVADA CITY
Required Supplementary Information
Notes to City Pension Plans
For the Year Ended June 30, 2015

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

There were no changes in assumptions or benefits in calculating the net pension liability.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service and type of employment
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 years
Mortality	Derived using CalPERS membership data for all funds

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 2,408,642	\$ 2,495,642	\$ 2,588,521	\$ 92,879
Licenses and permits	219,950	219,950	228,276	8,326
Fines and forfeitures	145,000	100,000	90,807	(9,193)
Intergovernmental revenues	65,785	65,785	99,666	33,881
Use of money and property	88,000	88,000	86,654	(1,346)
Charges for services	329,550	384,550	322,192	(62,358)
Other revenues	1,950	31,516	143,448	111,932
Total Revenues	<u>3,258,877</u>	<u>3,385,443</u>	<u>3,559,564</u>	<u>174,121</u>
EXPENDITURES				
Current:				
General government	662,695	716,139	973,537	(257,398)
Public protection	1,894,702	1,904,327	1,772,177	132,150
Public ways and facilities	293,990	310,735	275,154	35,581
Recreation and culture	324,018	322,018	274,151	47,867
Debt service:				
Principal	458,049	473,049	463,909	9,140
Interest and other charges	5,147	5,147	5,072	75
Capital outlay	4,000	45,500	117,298	(71,798)
Total Expenditures	<u>3,642,601</u>	<u>3,776,915</u>	<u>3,881,298</u>	<u>(104,383)</u>
Excess of Revenues Over (Under) Expenditures	<u>(383,724)</u>	<u>(391,472)</u>	<u>(321,734)</u>	<u>69,738</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	400,000	400,000	400,000	-
Transfers in	43,336	43,336	341,155	297,819
Transfers out	-	-	(1,194)	(1,194)
Total Other Financing Sources (Uses)	<u>443,336</u>	<u>443,336</u>	<u>739,961</u>	<u>296,625</u>
Net Change in Fund Balance	59,612	51,864	418,227	366,363
Fund Balance - Beginning	<u>776,864</u>	<u>776,864</u>	<u>776,864</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 836,476</u>	<u>\$ 828,728</u>	<u>\$ 1,195,091</u>	<u>\$ 366,363</u>

The City budgets for short term debt proceeds and payments as other financing sources and debt service expenditures. For purposes of the budgetary comparison schedule, the short term debt proceeds and payments of \$400,000 were included in other financing sources and debt service expenditures.

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
CABY Nevada City - Major Special Revenue Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues	\$ 395,300	\$ 395,300	\$ 78,905	\$ (316,395)
Use of money and property	-	-	(2)	(2)
Total Revenues	<u>395,300</u>	<u>395,300</u>	<u>78,903</u>	<u>(316,397)</u>
EXPENDITURES				
Current:				
General government	85,300	85,300	80,372	4,928
Capital outlay	310,000	310,000	363,831	(53,831)
Total Expenditures	<u>395,300</u>	<u>395,300</u>	<u>444,203</u>	<u>(48,903)</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(365,300)</u>	<u>(365,300)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(365,300)</u>	<u>(365,300)</u>
Fund Balance - Beginning	<u>(96,242)</u>	<u>(96,242)</u>	<u>(96,242)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (96,242)</u>	<u>\$ (96,242)</u>	<u>\$ (461,542)</u>	<u>\$ (365,300)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
CABY Misc Agency - Major Special Revenue Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues	\$ 245,000	\$ 245,000	\$ 60,035	\$ (184,965)
Use of money and property	-	-	(1)	(1)
Total Revenues	<u>245,000</u>	<u>245,000</u>	<u>60,034</u>	<u>(184,966)</u>
EXPENDITURES				
Current:				
General government	245,000	245,000	254,241	(9,241)
Total Expenditures	<u>245,000</u>	<u>245,000</u>	<u>254,241</u>	<u>(9,241)</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(194,207)</u>	<u>(194,207)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(194,207)</u>	<u>(194,207)</u>
Fund Balance - Beginning	<u>(73,259)</u>	<u>(73,259)</u>	<u>(73,259)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (73,259)</u>	<u>\$ (73,259)</u>	<u>\$ (267,466)</u>	<u>\$ (194,207)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "S" - Major Special Revenue Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 563,000	\$ 582,000	\$ 576,588	\$ (5,412)
Use of money and property	-	-	1,783	1,783
Total Revenues	<u>563,000</u>	<u>582,000</u>	<u>578,371</u>	<u>(3,629)</u>
EXPENDITURES				
Current:				
Public ways and facilities	105,740	105,740	87,138	18,602
Capital outlay	450,000	450,000	553,500	(103,500)
Total Expenditures	<u>555,740</u>	<u>555,740</u>	<u>640,638</u>	<u>(84,898)</u>
Excess of Revenues Over (Under) Expenditures	<u>7,260</u>	<u>26,260</u>	<u>(62,267)</u>	<u>(88,527)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(59,999)	(59,999)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(59,999)</u>	<u>(59,999)</u>
Net Change in Fund Balance	7,260	26,260	(122,266)	(148,526)
Fund Balance - Beginning	<u>570,216</u>	<u>570,216</u>	<u>570,216</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 577,476</u>	<u>\$ 596,476</u>	<u>\$ 447,950</u>	<u>\$ (148,526)</u>

CITY OF NEVADA CITY
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2015

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for the General fund and major special revenue funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) with the exception of short-term debt proceeds and payments which were budgeted as other financing sources and debt service expenditures.

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

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

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

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2015, the City incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
General fund	\$ 3,776,915	\$ 3,881,298	\$ 104,383
CABY Nevada City	395,300	444,203	48,903
CABY Misc Agency	245,000	254,241	9,241
Measure "S"	555,740	640,638	84,898

Combining Nonmajor Fund Statements

THIS PAGE INTENTIONALLY LEFT BLANK

Nonmajor Governmental Funds

- **Special Revenue Funds**

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	AB 1600	P & R Quimby	Donation Project	Nevada Main Project
ASSETS				
Cash and investments	\$ 193,036	\$ 29,046	\$ 5,797	\$ -
Receivables:				
Accounts	-	-	3,486	-
Interest	50	8	1	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	3,156
Loans receivable	-	-	-	-
	\$ 193,086	\$ 29,054	\$ 9,284	\$ 3,156
Total Assets				
	\$ 193,086	\$ 29,054	\$ 9,284	\$ 3,156
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Interest payable	-	-	-	2
Due to other funds	-	-	-	9,686
	-	-	-	9,688
Total Liabilities				
	-	-	-	9,688
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
	-	-	-	-
Total Deferred Inflows of Resources				
	-	-	-	-
FUND BALANCES				
Restricted	193,086	29,054	-	-
Committed	-	-	-	-
Assigned	-	-	9,284	-
Unassigned	-	-	-	(6,532)
	-	-	-	(6,532)
Total Fund Balances				
	193,086	29,054	9,284	(6,532)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	\$ 193,086	\$ 29,054	\$ 9,284	\$ 3,156

Gas Tax Streets	TDA Funds	CMAQ ST & RD	Regional Traffic Mitigation	FEMA	Indian Trails	UST Project	Brownsfield 10
\$ 76,336	\$ -	\$ -	\$ 1	\$ -	\$ 48,559	\$ -	\$ -
600	-	-	-	-	-	-	-
27	-	-	-	-	13	-	-
10,915	-	-	-	-	-	-	-
-	-	5,249	-	816	-	-	9,573
-	-	-	-	-	-	-	-
<u>\$ 87,878</u>	<u>\$ -</u>	<u>\$ 5,249</u>	<u>\$ 1</u>	<u>\$ 816</u>	<u>\$ 48,572</u>	<u>\$ -</u>	<u>\$ 9,573</u>
\$ 5,211	\$ 150	\$ -	\$ -	\$ 1,210	\$ -	\$ -	\$ 4,307
-	-	-	-	-	-	-	-
-	-	10	-	-	-	-	-
-	452	31,659	-	-	-	11,025	6,427
<u>5,211</u>	<u>602</u>	<u>31,669</u>	<u>-</u>	<u>1,210</u>	<u>-</u>	<u>11,025</u>	<u>10,734</u>
-	-	5,249	-	-	-	-	5,266
-	-	5,249	-	-	-	-	5,266
82,667	-	-	1	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	48,572	-	-
-	(602)	(31,669)	-	(394)	-	(11,025)	(6,427)
<u>82,667</u>	<u>(602)</u>	<u>(31,669)</u>	<u>1</u>	<u>(394)</u>	<u>48,572</u>	<u>(11,025)</u>	<u>(6,427)</u>
<u>\$ 87,878</u>	<u>\$ -</u>	<u>\$ 5,249</u>	<u>\$ 1</u>	<u>\$ 816</u>	<u>\$ 48,572</u>	<u>\$ -</u>	<u>\$ 9,573</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Tax - Fire Dept.	2003 Fire Tax	NC Recreation	CDBG Enterprise
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Taxes	1,716	3,300	-	-
Intergovernmental	-	-	-	107,395
Loans receivable	-	-	-	70,000
	\$ 1,716	\$ 3,300	\$ -	\$ 177,395
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 7,440
Salaries and benefits payable	-	-	-	331
Interest payable	-	-	1	87
Due to other funds	-	-	3,231	106,318
	-	-	3,232	114,176
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	107,395
	-	-	-	107,395
FUND BALANCES				
Restricted	1,716	3,300	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(3,232)	(44,176)
	1,716	3,300	(3,232)	(44,176)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,716	\$ 3,300	\$ -	\$ 177,395

<u>Prop 172</u>	<u>MATHIVET</u>	<u>SLESF</u>	<u>Measure "L"</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>Total</u>
\$ 36,878	\$ 72,394	\$ 54,309	\$ 325,885	\$ 1,098	\$ 18,094	\$ 861,433
-	-	-	-	-	-	4,086
12	19	35	133	-	5	303
-	-	-	77,400	-	-	93,331
2,775	-	25,000	-	-	-	153,964
-	-	-	-	-	-	70,000
<u>\$ 39,665</u>	<u>\$ 72,413</u>	<u>\$ 79,344</u>	<u>\$ 403,418</u>	<u>\$ 1,098</u>	<u>\$ 18,099</u>	<u>\$ 1,183,117</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,318
-	-	-	288	-	-	619
-	-	-	-	-	-	100
-	-	-	-	-	-	168,798
-	-	-	288	-	-	187,835
-	-	25,000	-	-	-	142,910
-	-	25,000	-	-	-	142,910
-	-	54,344	403,130	-	-	767,298
39,665	-	-	-	-	-	39,665
-	72,413	-	-	1,098	18,099	149,466
-	-	-	-	-	-	(104,057)
<u>39,665</u>	<u>72,413</u>	<u>54,344</u>	<u>403,130</u>	<u>1,098</u>	<u>18,099</u>	<u>852,372</u>
<u>\$ 39,665</u>	<u>\$ 72,413</u>	<u>\$ 79,344</u>	<u>\$ 403,418</u>	<u>\$ 1,098</u>	<u>\$ 18,099</u>	<u>\$ 1,183,117</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, 2015

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Donation Project</u>	<u>Nevada Main Project</u>
REVENUES				
Taxes and assessments	\$ 38,840	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	3,156
Use of money and property	745	125	24	(28)
Other revenues	-	-	9,399	-
Total Revenues	<u>39,585</u>	<u>125</u>	<u>9,423</u>	<u>3,128</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public protection	-	-	-	-
Public ways and facilities	2,898	-	-	-
Recreation and culture	-	-	3,486	-
Capital outlay	-	-	11,120	3,565
Total Expenditures	<u>2,898</u>	<u>-</u>	<u>14,606</u>	<u>3,565</u>
Excess of Revenues Over (Under) Expenditures	<u>36,687</u>	<u>125</u>	<u>(5,183)</u>	<u>(437)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,122	409
Transfers out	(4,122)	-	-	-
Total Other Financing Sources (Uses)	<u>(4,122)</u>	<u>-</u>	<u>4,122</u>	<u>409</u>
Net Change in Fund Balances	32,565	125	(1,061)	(28)
Fund Balances - Beginning	<u>160,521</u>	<u>28,929</u>	<u>10,345</u>	<u>(6,504)</u>
Fund Balances - Ending	<u>\$ 193,086</u>	<u>\$ 29,054</u>	<u>\$ 9,284</u>	<u>\$ (6,532)</u>

Gas Tax Streets	TDA Funds	CMAQ ST & RD	Regional Traffic Mitigation	FEMA	Indian Trails	UST Project	Brownsfield 10
\$ 108,160	\$ -	\$ -	\$ 23,842	\$ -	\$ -	\$ -	\$ -
-	-	20,602	-	816	-	11,874	179,826
477	(2)	(163)	1	-	214	-	-
-	-	-	-	-	-	-	-
<u>108,637</u>	<u>(2)</u>	<u>20,439</u>	<u>23,843</u>	<u>816</u>	<u>214</u>	<u>11,874</u>	<u>179,826</u>
-	-	-	23,842	1,210	3,541	627	147,562
-	-	-	-	-	-	-	-
49,339	962	-	-	-	-	-	-
-	-	-	-	-	-	-	-
76,130	-	18,365	-	-	-	-	-
<u>125,469</u>	<u>962</u>	<u>18,365</u>	<u>23,842</u>	<u>1,210</u>	<u>3,541</u>	<u>627</u>	<u>147,562</u>
<u>(16,832)</u>	<u>(964)</u>	<u>2,074</u>	<u>1</u>	<u>(394)</u>	<u>(3,327)</u>	<u>11,247</u>	<u>32,264</u>
-	962	11,583	-	-	-	-	-
(4,990)	-	-	-	-	-	-	-
<u>(4,990)</u>	<u>962</u>	<u>11,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(21,822)	(2)	13,657	1	(394)	(3,327)	11,247	32,264
<u>104,489</u>	<u>(600)</u>	<u>(45,326)</u>	<u>-</u>	<u>-</u>	<u>51,899</u>	<u>(22,272)</u>	<u>(38,691)</u>
<u>\$ 82,667</u>	<u>\$ (602)</u>	<u>\$ (31,669)</u>	<u>\$ 1</u>	<u>\$ (394)</u>	<u>\$ 48,572</u>	<u>\$ (11,025)</u>	<u>\$ (6,427)</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, 2015

	Tax - Fire Dept.	2003 Fire Tax	NC Recreation	CDBG Enterprise
REVENUES				
Taxes and assessments	\$ 34,325	\$ 65,719	\$ -	\$ -
Intergovernmental revenues	-	-	-	308,339
Use of money and property	-	-	(14)	(867)
Other revenues	-	-	-	-
Total Revenues	<u>34,325</u>	<u>65,719</u>	<u>(14)</u>	<u>307,472</u>
EXPENDITURES				
Current:				
General government	-	-	-	243,162
Public protection	34,325	65,719	-	-
Public ways and facilities	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	11,133	108,667
Total Expenditures	<u>34,325</u>	<u>65,719</u>	<u>11,133</u>	<u>351,829</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(11,147)</u>	<u>(44,357)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	36,256
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,256</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(11,147)</u>	<u>(8,101)</u>
Fund Balances - Beginning	<u>1,716</u>	<u>3,300</u>	<u>7,915</u>	<u>(36,075)</u>
Fund Balances - Ending	<u>\$ 1,716</u>	<u>\$ 3,300</u>	<u>\$ (3,232)</u>	<u>\$ (44,176)</u>

Prop 172	MATHIVET	SLESF	Measure "L"	Bicentennial	Becker	Total
\$ 39,206	\$ -	\$ 88,115	\$ 460,741	\$ -	\$ -	\$ 858,948
-	-	-	-	-	-	524,613
147	310	457	1,859	-	77	3,362
-	-	-	-	2,551	-	11,950
<u>39,353</u>	<u>310</u>	<u>88,572</u>	<u>462,600</u>	<u>2,551</u>	<u>77</u>	<u>1,398,873</u>
-	764	-	164,982	5,502	-	591,192
-	-	94,592	-	-	-	194,636
-	-	-	-	-	-	53,199
-	-	-	-	-	-	3,486
-	-	-	14,632	-	-	243,612
<u>-</u>	<u>764</u>	<u>94,592</u>	<u>179,614</u>	<u>5,502</u>	<u>-</u>	<u>1,086,125</u>
<u>39,353</u>	<u>(454)</u>	<u>(6,020)</u>	<u>282,986</u>	<u>(2,951)</u>	<u>77</u>	<u>312,748</u>
-	-	-	-	-	-	53,332
<u>(14,965)</u>	<u>-</u>	<u>-</u>	<u>(147,646)</u>	<u>-</u>	<u>-</u>	<u>(171,723)</u>
<u>(14,965)</u>	<u>-</u>	<u>-</u>	<u>(147,646)</u>	<u>-</u>	<u>-</u>	<u>(118,391)</u>
24,388	(454)	(6,020)	135,340	(2,951)	77	194,357
<u>15,277</u>	<u>72,867</u>	<u>60,364</u>	<u>267,790</u>	<u>4,049</u>	<u>18,022</u>	<u>658,015</u>
<u>\$ 39,665</u>	<u>\$ 72,413</u>	<u>\$ 54,344</u>	<u>\$ 403,130</u>	<u>\$ 1,098</u>	<u>\$ 18,099</u>	<u>\$ 852,372</u>

THIS PAGE INTENTIONALLY LEFT BLANK