

# **City of Placerville**

Placerville, California

## **Annual Financial Report and Independent Auditors' Report**

*For the Year Ended June 30, 2016*

Prepared By the  
The Finance Department  
of the City of Placerville



**CITY OF PLACERVILLE**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2016**  
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## INDEPENDENT AUDITORS' REPORT

To the Honorable City Council  
of the City of Placerville  
Placerville, California

### Report on 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 Placerville, California (the "City"), as of and for the year ended June 30, 2016, 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 the *Governmental 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 City'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 City'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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, 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 Matters**

### *Net Pension Liability*

As discussed in Note 9 to the basic financial statements, the City's governmental activities had an unrestricted net position (deficit) of \$(9,949,917) as of June 30, 2016. This is mainly due to reporting of net pension liability of \$(10,679,527) as required under GASB Statement No. 68 (Note 7). In addition, CalPERS approved its plan to lower the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent, over the next three years commencing on for the fiscal year ending June 30, 2017. This will increase the City's employer contribution costs and net pension liabilities beginning in fiscal year 2018-19. Our opinion is not modified with respect to this matter.

### *Prior Period Adjustments*

As discussed in Note 10 to the basic financial statements, the City had recorded prior period adjustments in the amount of \$279,483 due to City not recording interest payable correctly during fiscal year 2015. The adjustments were made to the beginning fund balance of the Sewer Fund. 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 Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of the City's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Funding Progress of the Other Postemployment Benefit Plan, on pages 81 through 87 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 Combining and Individual 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 City Council  
of the City of Placerville  
Placerville, California  
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The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules on pages 90 through 100 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 and Individual Nonmajor Fund Financial Statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California  
December 8, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Placerville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and to identify any material changes in the approved operating and capital budgets.

### Financial Highlights – Primary Government

- The City's net position at the end of the year was \$46.66M, an increase of \$3.14M. The portion of the City's net position that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled a deficit of \$(8.92)M or -19.11%.
- The governmental net position increased by \$3.04M or 10.50% and the business-type net position increased by \$0.10M or 0.69%.
- Program revenues from governmental activities increased by \$2.35M or 51.78%. Program revenues from business-type activities decreased by \$0.42M or 5.97%. General revenues, net of transfers, increased \$0.90M or 11.57%.

### City Highlights

- Completed the construction phase for the Central Main Street Overlay, \$1.35M.
- Began the construction phase for the Blairs Lane Bridge Widening, \$0.94M.
- Continued the design phase of the Western Placerville Interchange, \$0.30M.
- Completed the construction phase of the Broadway Crosswalk Improvements, \$0.30M
- Began the design phase of the Broadway Bike Lanes, \$0.28M
- Completed the design phase for the Pardi Lane, Big Cut Road, Sacramento Street, and Chamberlain Street Water Line Replacement, \$0.21M.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are comprised of the *statement of net position* and *statement of activities and changes in net position*. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations. The *statement of activities and changes in net position* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest expense due but unpaid). Both of the above government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental 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 general government, public safety, highways and streets, community development and recreation and parks. The business-type activities of the City include the two municipal utilities: water acquisition and delivery and wastewater collection and treatment.

**Fund Financial Statements.** 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has ten governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's major funds – the General Fund, the Transportation Development Fund, and the Measure J Fund. Data from the other seven non-major governmental funds are combined into a single, aggregated presentation.

**Proprietary Funds.** The City maintains two different types of proprietary funds – *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the two municipal utilities; water acquisition and distribution and wastewater collection and treatment. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the proprietary funds provide separate information for the municipal utilities. Conversely, the internal service funds are combined into a single aggregated column in the proprietary fund statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing budgetary comparison schedules for the General Fund, Transportation Development Fund, and the Measure J Fund.

## Government-Wide Statements

### **Statement of Net Position:**

The City's net position at the end of the year was \$46.66M, an increase of \$3.14M. The governmental net position increased by \$3.04M or 10.50% and the business-type net position increased by \$0.10M or 0.69%. The increase in governmental net position is primarily due to a \$2.35M or 51.78% increase in program revenues and a \$0.71M or 10.30% increase in general revenues and transfers. The City and its contractors completed \$3.72M in capital projects as of June 30, 2016. Please see the "Capital Assets" section below for more details.

### Net Position

**June 30, 2016**

*(amounts expressed in thousands)*

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 14/15	FY 15/16	FY 14/15	FY 15/16	FY 14/15	FY 15/16
Current assets	\$ 3,086	\$ 3,450	\$ 5,113	\$ 4,435	\$ 8,199	\$ 7,885
Restricted Assets	2,597	4,524	2,777	2,637	5,374	7,161
Capital assets	37,845	40,639	67,468	66,279	105,313	106,918
Total assets	43,528	48,613	75,358	73,351	118,886	121,964
Total Deferred Outflows of Resources	800	1,461	232	536	1,032	1,997
Current liabilities	1,563	3,634	2,627	2,432	4,190	6,066
Noncurrent liabilities	11,873	13,600	57,882	56,568	69,755	70,168
Total liabilities	13,436	17,234	60,509	59,000	73,945	76,234
Total Deferred Inflows of Resources	1,955	864	503	208	2,458	1,072
<b>Net position:</b>						
Net investment in capital assets	36,840	39,780	10,373	11,009	47,213	50,789
Restricted	2,266	2,146	2,777	2,637	5,043	4,783
Unrestricted (deficit)	(10,169)	(9,950)	1,428	1,033	(8,741)	(8,917)
Total net position	\$ 28,937	\$ 31,976	\$ 14,578	\$ 14,679	\$ 43,515	\$ 46,655

### **Changes in Net Position**

Program revenues from governmental activities increased \$2.35M or 51.78%. The increase is primarily due to a \$2.13M increase in capital grants and contributions. General revenues, net of transfers, increased \$0.90M or 11.57%. This net increase is primarily due to a \$0.53M or 10.80% increase in local sales tax revenues. Program revenues from business-type activities decreased by \$0.42M or 5.97% which was primarily due to State mandated water conservation by City customers during the severe drought. Business-type revenues exceeded expenditures by \$0.10M primarily due to a \$0.33M increase in miscellaneous revenues. Water Enterprise Fund revenues exceeded expenditures by \$0.13M which was primarily due to a \$0.20M increase in connection fees. Sewer Enterprise Fund expenditures exceeded revenues by \$0.32M which was primarily due to a \$0.38M decrease in operating revenues as a result of the severe drought.

**Condensed Statement of Activities and Changes in Net Position**  
**For the year ended June 30, 2016**  
*(amounts expressed in thousands)*

	<b>Net (Expense) Revenue and Changes in Net Position</b>							
	<b>Expenses</b>		<b>Program Revenues</b>		<b>Government Activities</b>		<b>Business-type Activities</b>	
	FY 14/15	FY 15/16	FY 14/15	FY 15/16	FY 14/15	FY 15/16	FY 14/15	FY 15/16
<i>Governmental activities</i>								
General government	\$ 2,400	\$ 2,692	\$ 710	\$ 696	\$ (1,690)	\$ (1,996)		
Public safety	3,958	4,428	1,008	815	(2,950)	(3,613)		
Highways and streets	1,128	1,790	1,345	4,185	217	2,395		
Community development	562	604	219	394	(343)	(210)		
Parks and recreation	1,733	1,965	1,249	787	(484)	(1,178)		
Total governmental activities	<u>9,781</u>	<u>11,479</u>	<u>4,531</u>	<u>6,877</u>	<u>(5,250)</u>	<u>(4,602)</u>		
<i>Business-type activities</i>								
Water	1,607	1,655	1,657	1,612			50	(43)
Sewer	6,117	5,845	5,361	4,987			(756)	(858)
Total business-type activities	<u>7,724</u>	<u>7,500</u>	<u>7,018</u>	<u>6,599</u>			<u>(706)</u>	<u>(901)</u>
Total primary government	<u>\$ 17,505</u>	<u>\$ 18,979</u>	<u>\$ 11,549</u>	<u>\$ 13,476</u>				
					6,927	7,641	820	1,002
					1,677	3,039	114	101
					27,260	28,937	14,464	14,578
					<u>\$ 28,937</u>	<u>\$ 31,976</u>	<u>\$ 14,578</u>	<u>\$ 14,679</u>

**Budgetary Highlights - Current Year Impacts**

- The City has an agreement with the California Public Employees Retirement System (CalPERS) to provide pension benefits to City employees. Below are the employer pension contribution rates for new members hired on or after January 1, 2013, classic members hired between October 15, 2011 and December 31, 2012, and classic members hired before October 15, 2011, respectively:

Fiscal Year	Percentage of Credible Salary		Increased/ (Decreased) Cost
	Miscellaneous Plan	Public Safety	
2014/2015	6.50%/10.77%/29.26%	11.50%/20.77%/39.70%	\$ (115,700)
2015/2016	6.50%/8.479%/9.53% + \$464,531	11.15%/15.63%/17.56% + \$240,980	264,833
2016/2017	6.647% + \$33/8.721%/9.837% + \$514,682	12.082%/16.656%/18.428% + \$275,621	141,823

The \$141,823 increase in employer paid retirement contributions for Fiscal Year 2016/2017 is primarily due to increases in payroll and changes in CalPERS' actuarial assumptions. As of June 30, 2016, the City's aggregate net pension liability was \$13.80M which reflects a \$2.09M increase which is primarily due to changes in CalPERS' actuarial assumptions. Additional information about the City's pension plans can be found in Note 7 –Public Employee Retirement System.

**Fund Financial Statements**

**Governmental Funds**

The fund financial statements present financial data for the general, special revenue, capital projects and fiduciary funds. At the close of Fiscal Year 2015/2016, the City's governmental funds reported a combined ending fund balance of \$3.57M – an increase of \$0.47M or 15.20%.

**General Fund.** Total fund balance for the General Fund on June 30, 2016 was \$2.16M, an increase of \$0.21M from the prior year. Of the \$2.16M fund balance, \$1.76M is available for contingencies. The \$1.76M unassigned balance represents 22.00% of General Fund expenditures, net of fund transfers.

## **Business Type Funds**

The City's proprietary funds, excluding internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the business-type net position increased by \$0.10M or 0.69% which was primarily due to \$0.36M increase in connection fees..

In November 2010, Placerville voters approved Measure H, which is a 0.25% add on sales tax dedicated to paying for wastewater and/or water related debt and infrastructure replacement costs. The Measure H sales tax became effective April 1, 2011, and generated \$0.93M in Fiscal Year 2015/2016. The Measure H Fund provided sewer ratepayers \$0.49M in discounts and \$0.98M in contributions towards sewer and water infrastructure improvements during the fiscal year.

## **Capital Assets and Debt Administration**

### **Debt Administration**

*Long Term Debt* - At the end of the current fiscal year, the City had \$56.13M in long term debt outstanding compared to \$58.10M last year, a \$1.97M or 3.00% net decrease. The decrease is primarily due to debt service payments made in Fiscal Year 2015/2016. Details of all debt are included in Note 5 of the *notes to the basic financial statements*.

### **Capital Assets**

Capital asset additions for Fiscal Year 2015/2016 include:

#### Governmental Activities

- Construction in progress – Central Main Street Overlay, (\$0.87M)
- Construction in progress – Blairs Lane Bridge Widening, (\$0.94M)
- Construction in progress – Western Placerville Interchange, (\$0.30M)
- Construction in progress – Broadway Crosswalk Improvements, (\$0.30M)
- Construction in progress – Broadway Bike Lanes, (\$0.28M)

**Governmental Capital Assets**

**June 30, 2016**

(amounts expressed in thousands)

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 12,831	\$ -	\$ -	\$ -	\$ 12,831
Construction in progress	8,773	2,933	-	-	11,706
Total nondepreciable assets	<u>21,604</u>	<u>2,933</u>	<u>-</u>	<u>-</u>	<u>24,537</u>
<i>Depreciable Assets:</i>					
Buildings and structures	12,138	-	-	-	12,138
Machinery and equipment	2,711	445	(110)	-	3,046
Infrastructure	10,113	-	-	-	10,113
Total depreciable assets	<u>24,962</u>	<u>445</u>	<u>(110)</u>	<u>-</u>	<u>25,297</u>
	46,566	3,378	(110)	-	49,834
Less accumulated depreciation	<u>(8,721)</u>	<u>(576)</u>	<u>102</u>	<u>-</u>	<u>(9,195)</u>
<b>Total governmental activities</b>	<u><u>\$ 37,845</u></u>	<u><u>\$ 2,802</u></u>	<u><u>\$ (8)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,639</u></u>

Business Type Activities

- Construction in progress – Central Main Street Sewer Line and Waterline Replacement, (\$0.47M)
- Construction in progress – Pardi Lane, Big Cut Road, Sacramento Street, and Chamberlain Waterline Replacement, (\$0.21M)

**Business-Type Capital Assets**

**June 30, 2016**

(amounts expressed in thousands)

	Balance June 30, 2015	Additions	Transfers	Deletions	Balance June 30, 2016
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,329	\$ -	\$ -	\$ -	\$ 2,329
Construction in progress	1,896	785	-	-	2,681
Total nondepreciable assets	<u>4,225</u>	<u>785</u>	<u>-</u>	<u>-</u>	<u>5,010</u>
<i>Depreciable Assets:</i>					
Buildings and structures	73,862	-	-	-	73,862
Machinery and equipment	1,055	175	-	-	1,230
Infrastructure	48,112	-	-	-	48,112
Total depreciable assets	<u>123,029</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>123,204</u>
Less accumulated depreciation	<u>(59,786)</u>	<u>(2,149)</u>	<u>-</u>	<u>-</u>	<u>(61,935)</u>
Total depreciable assets, net	<u>63,243</u>	<u>(1,974)</u>	<u>-</u>	<u>-</u>	<u>61,269</u>
<b>Total business-type activities</b>	<u><u>\$ 67,468</u></u>	<u><u>\$ (1,189)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 66,279</u></u>

## **Other Information**

***The Placerville Public Financing Authority.*** As discussed in Note 14 of the *notes to the basic financial statements*, the Placerville Public Finance Authority has defaulted on certain Revenue Bonds. That default was the product of a default on certain assessment bonds issued by the City of Placerville on behalf of improvement districts created by the City in response to a petition by property owners for a specific purpose. The City is not obligated to pay the assessment bonds with any funds other than assessments levied against the properties within those districts.

The Authority is a separate legal entity with the Authority's Board of Directors being comprised of the City's Council Members, City Manager and Director of Finance. The Authority has accountability for all funds, the power to execute contracts, and the right to sue and be sued. Obligations and liabilities of the Authority are not general obligations of the City.

Neither the City nor the Authority has any obligation to advance its own funds toward payments to bondholders. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts remaining from the proceeds of bond issues are the sole security for payment to bondholders. In the event of default, the City is responsible for foreclosure and auction proceedings on the property.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Placerville, Director of Finance, 3101 Center Street, Placerville, CA 95667.

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**BASIC  
FINANCIAL STATEMENTS**

**CITY OF PLACERVILLE**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 1,508,120	\$ 2,204,487	\$ 3,712,607
Receivables:			
Accounts	1,814,352	209,114	2,023,466
Interest	327	2,041	2,368
Utility billings, net	-	1,977,434	1,977,434
Inventory	12,757	-	12,757
Prepaid items	114,902	-	114,902
Due from other funds	-	41,905	41,905
Total current assets	<u>3,450,458</u>	<u>4,434,981</u>	<u>7,885,439</u>
Restricted:			
Cash and investments	1,305,646	-	1,305,646
Deposits held by fiscal agents	110,905	2,636,772	2,747,677
Receivables:			
Accounts	2,788,472	-	2,788,472
Interest	866	-	866
Grants	318,066	-	318,066
Total restricted assets	<u>4,523,955</u>	<u>2,636,772</u>	<u>7,160,727</u>
Capital assets:			
Nondepreciable	24,537,490	5,009,428	29,546,918
Depreciable, net	<u>16,101,415</u>	<u>61,269,767</u>	<u>77,371,182</u>
Total capital assets, net	<u>40,638,905</u>	<u>66,279,195</u>	<u>106,918,100</u>
<b>Total Assets</b>	<u>48,613,318</u>	<u>73,350,948</u>	<u>121,964,266</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflow of resources	<u>1,461,028</u>	<u>535,941</u>	<u>1,996,969</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,461,028</u>	<u>535,941</u>	<u>1,996,969</u>

**CITY OF PLACERVILLE**  
**Statement of Net Position (Continued)**  
**June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	405,136	289,763	694,899
Payroll and related taxes payable	377,139	-	377,139
Deposits	31,619	37,477	69,096
Current portion of compensated absences	285,484	-	285,484
Current portion of long-term debt	147,253	1,823,929	1,971,182
Interest on long-term debt	10,027	280,195	290,222
Total current liabilities	<u>1,256,658</u>	<u>2,431,364</u>	<u>3,688,022</u>
Restricted:			
Due to other funds	41,905	-	41,905
Accounts payable	2,336,098	-	2,336,098
Total restricted liabilities	<u>2,378,003</u>	<u>-</u>	<u>2,378,003</u>
Long-term liabilities:			
Compensated absences	886,648	-	886,648
Claims payable	248,893	-	248,893
Long-term debt, net	711,807	53,446,329	54,158,136
Net OPEB obligation (Note 8)	1,073,121	-	1,073,121
Aggregate net pension liability (Note 7)	10,679,527	3,121,812	13,801,339
Total long-term liabilities	<u>13,599,996</u>	<u>56,568,141</u>	<u>70,168,137</u>
<b>Total Liabilities</b>	<u>17,234,657</u>	<u>58,999,505</u>	<u>76,234,162</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflow of resources	863,809	208,091	1,071,900
<b>Total Deferred Inflows of Resources</b>	<u>863,809</u>	<u>208,091</u>	<u>1,071,900</u>
<b>Net Position:</b>			
Net investment in capital assets	39,779,845	11,008,937	50,788,782
Restricted:			
Capital projects	1,585,089	2,636,772	4,221,861
Special projects and programs	560,863	-	560,863
Total restricted	<u>2,145,952</u>	<u>2,636,772</u>	<u>4,782,724</u>
Unrestricted (Deficit)	<u>(9,949,917)</u>	<u>1,033,584</u>	<u>(8,916,333)</u>
<b>Total Net Position</b>	<u>\$ 31,975,880</u>	<u>\$ 14,679,293</u>	<u>\$ 46,655,173</u>

**CITY OF PLACERVILLE**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 2,692,396	\$ 695,606	\$ -	\$ -	\$ 695,606
Public safety	4,428,140	437,282	359,231	18,474	814,987
Highways and streets	1,789,815	563,206	255,781	3,366,094	4,185,081
Community development	604,190	332,028	62,112	-	394,140
Parks and recreation	1,964,658	769,937	-	17,500	787,437
<b>Total governmental activities</b>	<b>11,479,198</b>	<b>2,798,059</b>	<b>677,124</b>	<b>3,402,068</b>	<b>6,877,251</b>
<b>Business-type activities:</b>					
Water	1,654,635	1,612,009	-	-	1,612,009
Sewer	5,845,441	4,986,766	-	-	4,986,766
<b>Total business-type activities</b>	<b>7,500,076</b>	<b>6,598,775</b>	<b>-</b>	<b>-</b>	<b>6,598,775</b>
<b>Total primary government</b>	<b>\$ 18,979,274</b>	<b>\$ 9,396,834</b>	<b>\$ 677,124</b>	<b>\$ 3,402,068</b>	<b>\$ 13,476,026</b>

**CITY OF PLACERVILLE**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (1,996,790)	\$ -	\$ (1,996,790)
Public safety	(3,613,153)	-	(3,613,153)
Highways and streets	2,395,266	-	2,395,266
Community development	(210,050)	-	(210,050)
Parks and recreation	(1,177,220)	-	(1,177,220)
<b>Total governmental activities</b>	<b>(4,601,947)</b>	<b>-</b>	<b>(4,601,947)</b>
<b>Business-type activities:</b>			
Water	-	(42,626)	(42,626)
Sewer	-	(858,675)	(858,675)
<b>Total business-type activities</b>	<b>-</b>	<b>(901,301)</b>	<b>(901,301)</b>
<b>Total primary government</b>	<b>(4,601,947)</b>	<b>(901,301)</b>	<b>(5,503,248)</b>
<b>General revenues and transfers:</b>			
Taxes:			
Property	227,221	-	227,221
Sales	5,459,857	929,198	6,389,055
Motor vehicle	814,533	-	814,533
Other	734,757	-	734,757
Total taxes	7,236,368	929,198	8,165,566
Interest and investment earnings	11,881	8,146	20,027
Miscellaneous	64,758	392,767	457,525
<b>Transfers</b>	<b>327,846</b>	<b>(327,846)</b>	<b>-</b>
<b>Total general revenues and transfers</b>	<b>7,640,853</b>	<b>1,002,265</b>	<b>8,643,118</b>
<b>Changes in net position</b>	<b>3,038,906</b>	<b>100,964</b>	<b>3,139,870</b>
<b>Net Position:</b>			
Beginning of year, as restated (Note 10)	28,936,974	14,578,329	43,515,303
End of year	<b>\$ 31,975,880</b>	<b>\$ 14,679,293</b>	<b>\$ 46,655,173</b>

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**FUND  
FINANCIAL STATEMENTS**

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# CITY OF PLACERVILLE

## Balance Sheet Governmental Funds June 30, 2016

	Major Funds			Non-Major Funds	Total
	General	Transportation Development	Measure J		
<b>Assets:</b>					
Cash and investments	\$ 830,834	\$ 451,190	\$ 219,552	\$ 634,904	\$ 2,136,480
Receivables:					
Accounts	1,762,155	1,630,911	193,201	964,360	4,550,627
Interest	327	-	179	687	1,193
Prepaid items	114,902	-	-	-	114,902
Due from other funds	63,447	56,717	-	-	120,164
Advances to other funds	127,869	-	-	-	127,869
Inventory	12,757	-	-	-	12,757
Restricted:					
Deposits held by fiscal agents	-	-	-	101,649	101,649
Receivables:					
Loans	-	-	-	860,585	860,585
Grants	-	-	-	557,504	557,504
<b>Total Assets</b>	<b>\$ 2,912,291</b>	<b>\$ 2,138,818</b>	<b>\$ 412,932</b>	<b>\$ 3,119,689</b>	<b>\$ 8,583,730</b>
<b>Liabilities:</b>					
Accounts payable	\$ 347,830	\$ 1,792,688	\$ 479	\$ 542,931	\$ 2,683,928
Payroll and related taxes payable	377,139	-	-	-	377,139
Deposits	29,359	-	-	2,260	31,619
Due to other funds	-	94,806	-	67,263	162,069
Advances from other funds	-	200,000	42,187	420,927	663,114
<b>Total Liabilities</b>	<b>754,328</b>	<b>2,087,494</b>	<b>42,666</b>	<b>1,033,381</b>	<b>3,917,869</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	-	-	1,100,023	1,100,023
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100,023</b>	<b>1,100,023</b>
<b>Fund Balances:</b>					
Nonspendable	318,975	-	-	-	318,975
Restricted	-	51,324	370,266	1,211,033	1,632,623
Committed	81,587	-	-	22,812	104,399
Unassigned (Deficit)	1,757,401	-	-	(247,560)	1,509,841
<b>Total Fund Balances</b>	<b>2,157,963</b>	<b>51,324</b>	<b>370,266</b>	<b>986,285</b>	<b>3,565,838</b>
<b>Total Liabilities Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,912,291</b>	<b>\$ 2,138,818</b>	<b>\$ 412,932</b>	<b>\$ 3,119,689</b>	<b>\$ 8,583,730</b>

**CITY OF PLACERVILLE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

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**Total Fund Balances - Total Governmental Funds** \$ 3,565,838

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in Governmental Funds Balance Sheet.

Non-depreciable	24,537,490
Depreciable	25,296,545
Less accumulated depreciation	<u>(9,195,130)</u>
	<u>40,638,905</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Long-term debt - current portion	(147,253)
Long-term debt - non-current portion	(711,807)
Compensated absences - current portion	(285,484)
Compensated absences - long-term portions	(886,648)
Net OPEB obligation	<u>(1,073,121)</u>
	<u>(3,104,313)</u>

Aggregate net pension liabilities and the related deferred outflows and inflows of resources were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets:

Deferred outflows of resources	1,461,028
Aggregate net pension liabilities	(10,679,527)
Deferred inflows of resources	<u>(863,809)</u>
	<u>(10,082,308)</u>

Interest on long term debt is not accrued in the funds, but rather is recognized as an expenditure when due.

(10,027)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds that are reported with governmental activities.

967,785

**Net Position of Governmental Activities** **\$ 31,975,880**

**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds			Non-Major Funds	Total
	General	Transportation Development	Measure J		
<b>Revenues:</b>					
Property taxes	\$ 227,221	\$ -	\$ -	\$ -	\$ 227,221
Sales tax	4,530,605	-	929,253	-	5,459,858
Transient occupancy taxes	186,945	-	-	-	186,945
Other taxes	199,602	-	-	-	199,602
Franchise fees	296,647	-	-	-	296,647
Licenses and permits	196,364	-	-	-	196,364
Fines and forfeitures	115,018	-	-	-	115,018
Use of money and property:					
Interest earnings	852	-	777	10,603	12,232
Rentals and concessions	64,358	-	-	-	64,358
Intergovernmental	866,096	2,427,851	-	495,484	3,789,431
Charges for services	904,762	-	-	592,695	1,497,457
Grant revenue	-	-	-	1,155,537	1,155,537
Other revenue	577,000	-	-	386	577,386
<b>Total Revenues</b>	<u>8,165,470</u>	<u>2,427,851</u>	<u>930,030</u>	<u>2,254,705</u>	<u>13,778,056</u>
<b>Expenditures:</b>					
General government	2,445,747	-	9,293	39,039	2,494,079
Public safety	2,721,398	-	955,197	358,988	4,035,583
Highways and streets	600,636	2,493,578	-	1,201,494	4,295,708
Community development	552,150	-	-	-	552,150
Parks and recreation	1,766,160	-	-	85,502	1,851,662
<b>Total Expenditures</b>	<u>8,086,091</u>	<u>2,493,578</u>	<u>964,490</u>	<u>1,685,023</u>	<u>13,229,182</u>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>79,379</u>	<u>(65,727)</u>	<u>(34,460)</u>	<u>569,682</u>	<u>548,874</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	233,817	96,717	-	32,266	362,800
Transfers out	(104,879)	(4,511)	-	(330,534)	(439,924)
<b>Total Other Financing Sources (Uses)</b>	<u>128,938</u>	<u>92,206</u>	<u>-</u>	<u>(298,268)</u>	<u>(77,124)</u>
<b>Net change in fund balances</b>	208,317	26,479	(34,460)	271,414	471,750
<b>Fund Balances:</b>					
Beginning of year	1,949,646	24,845	404,726	714,871	3,094,088
End of year	<u>\$ 2,157,963</u>	<u>\$ 51,324</u>	<u>\$ 370,266</u>	<u>\$ 986,285</u>	<u>\$ 3,565,838</u>

# CITY OF PLACERVILLE

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Position For the Year Ended June 30, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 471,750
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives to be charged as depreciation expense.	<u>3,378,028</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds financial statements.	<u>(576,098)</u>
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position	<u>(8,000)</u>
Governmental funds did not report additions or retirements to long term liabilities. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those liabilities was allocated to the related departments.	
Compensated absences	50,501
City Hall Capital Lease	94,733
2015 Equipment Lease	50,532
Net OPEB obligation	(261,571)
Pension Expense	<u>167,384</u>
	<u>101,579</u>
Interest on long-term debt was not accrued in the funds, but rather was recognized as an expenditure when due.	<u>30,250</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds was reported with governmental activities.	<u>(358,603)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 3,038,906</u></u>

**CITY OF PLACERVILLE**  
**Statement of Net Position**  
**All Proprietary Funds**  
**June 30, 2016**

	Major Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Measure H	Total	
<b>Assets:</b>					
Current assets:					
Cash and investments	\$ 855,307	\$ 372,529	\$ 976,651	\$ 2,204,487	\$ 677,286
Cash with fiscal agent	38,078	2,598,694	-	2,636,772	9,256
Receivables:					-
Accounts	22,439	7,446	179,229	209,114	52,197
Interest	920	397	724	2,041	-
Utility billings, net	500,217	1,477,217	-	1,977,434	-
Due from other funds	20,954	123,786	-	144,740	-
Advances to other funds	-	-	-	-	535,245
Total current assets	<u>1,437,915</u>	<u>4,580,069</u>	<u>1,156,604</u>	<u>7,174,588</u>	<u>1,273,984</u>
Capital assets:					
Nondepreciable:					
Land and improvements	359,647	1,969,327	-	2,328,974	-
Construction in progress	1,709,804	970,650	-	2,680,454	-
Depreciable:					
Buildings and structures	4,036,357	69,825,314	-	73,861,671	-
Machinery and equipment	234,375	995,929	-	1,230,304	-
Infrastructure	21,758,007	26,355,174	-	48,113,181	-
Accumulated depreciation	<u>(22,966,747)</u>	<u>(38,968,642)</u>	<u>-</u>	<u>(61,935,389)</u>	<u>-</u>
Total capital assets, net	<u>5,131,443</u>	<u>61,147,752</u>	<u>-</u>	<u>66,279,195</u>	<u>-</u>
<b>Total Assets</b>	<u><b>6,569,358</b></u>	<u><b>65,727,821</b></u>	<u><b>1,156,604</b></u>	<u><b>73,453,783</b></u>	<u><b>1,273,984</b></u>
<b>Deferred outflows of Resources</b>					
Pension related deferred outflows of resources	148,948	386,993	-	535,941	-
<b>Total deferred outflows of resources</b>	<u>148,948</u>	<u>386,993</u>	<u>-</u>	<u>535,941</u>	<u>-</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	181,637	108,126	-	289,763	57,306
Deposits	35,021	2,456	-	37,477	-
Due to other funds	-	-	102,835	102,835	-
Current portion of long-term debt	36,630	1,787,299	-	1,823,929	-
Interest on long-term debt	2,568	277,627	-	280,195	-
Total current liabilities	<u>255,856</u>	<u>2,175,508</u>	<u>102,835</u>	<u>2,534,199</u>	<u>57,306</u>
Long-term liabilities:					
Claims payable	-	-	-	-	248,893
Advances from other funds	-	-	-	-	-
Aggregate net pension liability (Note 7)	867,609	2,254,203	-	3,121,812	-
Long-term debt, net	188,624	53,257,705	-	53,446,329	-
Total long-term liabilities	<u>1,056,233</u>	<u>55,511,908</u>	<u>-</u>	<u>56,568,141</u>	<u>248,893</u>
<b>Total Liabilities</b>	<u><b>1,312,089</b></u>	<u><b>57,687,416</b></u>	<u><b>102,835</b></u>	<u><b>59,102,340</b></u>	<u><b>306,199</b></u>
<b>Deferred inflows of Resources</b>					
Pension related deferred inflows of resources	57,832	150,259	-	208,091	-
<b>Total deferred inflows of resources</b>	<u>57,832</u>	<u>150,259</u>	<u>-</u>	<u>208,091</u>	<u>-</u>
<b>Net Position:</b>					
Net investment in capital assets	4,906,189	6,102,748	-	11,008,937	-
Restricted	38,078	2,598,694	-	2,636,772	9,256
Unrestricted (deficit)	404,118	(424,303)	1,053,769	1,033,584	958,529
<b>Total Net Position</b>	<u><b>\$ 5,348,385</b></u>	<u><b>\$ 8,277,139</b></u>	<u><b>\$ 1,053,769</b></u>	<u><b>\$ 14,679,293</b></u>	<u><b>\$ 967,785</b></u>

**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Major Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Measure H	Total	
<b>Operating Revenues:</b>					
Service charges	\$ 1,599,419	\$ 4,979,532	\$ -	\$ 6,578,951	\$ 305,381
Sales tax	-	-	929,198	929,198	-
Other revenues	12,590	7,234	-	19,824	106,821
<b>Total Operating Revenues</b>	<u>1,612,009</u>	<u>4,986,766</u>	<u>929,198</u>	<u>7,527,973</u>	<u>412,202</u>
<b>Operating Expenses:</b>					
General and administrative	332,597	301,622	-	634,219	814,667
Maintenance and operation	1,108,675	2,730,776	-	3,839,451	361,108
Depreciation	201,563	1,947,788	-	2,149,351	-
<b>Total Operating Expenses</b>	<u>1,642,835</u>	<u>4,980,186</u>	<u>-</u>	<u>6,623,021</u>	<u>1,175,775</u>
<b>Operating Income (Loss)</b>	<u>(30,826)</u>	<u>6,580</u>	<u>929,198</u>	<u>904,952</u>	<u>(763,573)</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Grants	10,307	-	-	10,307	-
Connection fees	203,640	178,820	-	382,460	-
Interest earnings	3,277	2,633	2,236	8,146	-
Interest expense	(11,800)	(865,255)	-	(877,055)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>205,424</u>	<u>(683,802)</u>	<u>2,236</u>	<u>(476,142)</u>	<u>-</u>
<b>Income (Loss) Before Transfers</b>	<u>174,598</u>	<u>(677,222)</u>	<u>931,434</u>	<u>428,810</u>	<u>(763,573)</u>
Transfers in	40,486	605,139	-	645,625	404,970
Transfers out	(80,685)	(247,161)	(645,625)	(973,471)	-
<b>Total Transfers</b>	<u>(40,199)</u>	<u>357,978</u>	<u>(645,625)</u>	<u>(327,846)</u>	<u>404,970</u>
<b>Net Income (Loss)</b>	<u>134,399</u>	<u>(319,244)</u>	<u>285,809</u>	<u>100,964</u>	<u>(358,603)</u>
<b>Net Position:</b>					
Beginning of year, as restated	5,213,986	8,596,383	767,960	14,578,329	1,326,388
End of year	<u>\$ 5,348,385</u>	<u>\$ 8,277,139</u>	<u>\$ 1,053,769</u>	<u>\$ 14,679,293</u>	<u>\$ 967,785</u>

**CITY OF PLACERVILLE**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Major Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Measure H	Total	
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers and users	\$ 1,563,440	\$ 4,975,562	\$ 926,238	\$ 7,465,240	\$ 364,094
Cash paid to suppliers	(1,051,189)	(1,464,123)	-	(2,515,312)	(1,244,018)
Cash paid to employees	(594,764)	(1,649,702)	-	(2,244,466)	-
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(82,513)</b>	<b>1,861,737</b>	<b>926,238</b>	<b>2,705,462</b>	<b>(879,924)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Interfund transfers, net	(40,199)	357,978	(645,625)	(327,846)	404,970
Interfund loans, net	-	-	-	-	77,131
<b>Net Cash Provided by (Used In) Noncapital Financing Activities</b>	<b>(40,199)</b>	<b>357,978</b>	<b>(645,625)</b>	<b>(327,846)</b>	<b>482,101</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Capital asset purchases	(664,228)	(296,127)	-	(960,355)	-
Grants	10,307	-	-	10,307	-
Capital improvement fees	203,640	178,820	-	382,460	-
Principal payments on long-term debt	(32,583)	(1,792,274)	-	(1,824,857)	-
Interest paid	(9,234)	(867,111)	-	(876,345)	-
<b>Net Cash (Used In) Capital and Related Financing Activities</b>	<b>(492,098)</b>	<b>(2,776,692)</b>	<b>-</b>	<b>(3,268,790)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	2,553	2,455	1,931	6,939	37
<b>Net Cash Provided by Investing Activities</b>	<b>2,553</b>	<b>2,455</b>	<b>1,931</b>	<b>6,939</b>	<b>37</b>
<b>Net Changes in Cash and Cash Equivalents</b>	<b>(612,257)</b>	<b>(554,522)</b>	<b>282,544</b>	<b>(884,235)</b>	<b>(397,786)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of year	1,505,642	3,525,745	694,107	5,725,494	1,084,328
End of year	<u>\$ 893,385</u>	<u>\$ 2,971,223</u>	<u>\$ 976,651</u>	<u>4,841,259</u>	<u>\$ 686,542</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:</b>					
Operating income	\$ (30,826)	\$ 6,580	\$ 929,198	\$ 904,952	\$ (763,573)
Adjustments to reconcile operating income loss to net cash provided (used) by operating activities:					
Depreciation expense	201,563	1,947,788	-	2,149,351	-
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Receivables	(50,394)	(11,204)	(3,345)	(64,943)	(48,108)
Pension related deferred outflow of resources	(83,819)	(219,685)	-	(303,504)	-
Due to other funds	-	-	385	385	-
Accounts payable	(172,046)	(20,349)	-	(192,395)	(38,833)
Deposits	1,825	-	-	1,825	-
Claims payable	-	-	-	-	(29,410)
Aggregate net pension liability	134,423	370,741	-	505,164	-
Pension related deferred inflow of resources	(83,239)	(212,134)	-	(295,373)	-
Total adjustments	<u>(51,687)</u>	<u>1,855,157</u>	<u>(2,960)</u>	<u>1,800,510</u>	<u>(116,351)</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b><u>\$ (82,513)</u></b>	<b><u>\$ 1,861,737</u></b>	<b><u>\$ 926,238</u></b>	<b><u>\$ 2,705,462</u></b>	<b><u>\$ (879,924)</u></b>

**CITY OF PLACERVILLE**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	PFA Agency Funds	Other Agency Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 118,277	\$ 412,166	\$ 530,443
Receivables:			
Accounts	-	8,959	8,959
Interest	76	269	345
<b>Total Assets</b>	<b>\$ 118,353</b>	<b>\$ 421,394</b>	<b>\$ 539,747</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 179,240	\$ 179,240
Deposits	27,906	242,154	270,060
Due to bondholders	90,447	-	90,447
<b>Total Liabilities</b>	<b>\$ 118,353</b>	<b>\$ 421,394</b>	<b>\$ 539,747</b>

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

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**CITY OF PLACERVILLE**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Placerville, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. 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 in 1854, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides services including general government, public works, public safety, water, sewer treatment, and parks and recreation. Control or dependence is determined on the basis of budget adoption, selection of governing authority and designation of management, outstanding debt secured by revenues or general obligations of the City and ability to significantly influence operations.

The financial reporting entity, as defined by the GASB, consists of the primary government, the City, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

Placerville Public Financing Authority (“Authority”) is a legal joint powers entity created by the City. The Authority’s Board of Directors is comprised of the City’s Council Members, City Manager, and Director of Finance, and all accounting and administrative functions are performed by the City.

As a result, this organization is considered a component unit of the City and is included within the basic financial statements of the City using the blended method. The City does not issue separate audited financial statements for the Authority. However, separate financial information for this component unit can be obtained from the City’s Finance Department. All entities included in this financial statement maintain June 30<sup>th</sup> as their fiscal year-end.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

*Government-Wide Financial Statement*

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the statement of activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

*Governmental Funds Financial Statements*

Governmental Funds Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

*Governmental Fund Financial Statements (Continued)*

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Transportation Development Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the Transportation Development Act Funds and transportation grants.

The *Measure J Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the 0.25% add on sales tax to supplement the City's police services.

*Proprietary Fund Financial Statements*

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

The City reports the following major proprietary funds:

The *Water Fund* is used for the operation and maintenance of a water system consisting of acquisition, distribution pipeline, and pumps. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the water distribution system required due to growth.

The *Sewer Fund* is responsible for the treatment of industrial and domestic wastewater. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the water reclamation facility and collection system required due to growth.

The *Measure H Fund* augments the Water and Sewer Funds in paying for related debt and infrastructure replacement costs.

Additionally, the City reports the following fund types:

*Internal Service Funds* are used to account for services provided to other departments of the government, or to other governments, on a cost reimbursement basis. The City has an Internal Service Fund for general liability insurance, property insurance, unemployment insurance, and worker's compensation insurance.

*Agency Funds* are used to account for resources held by the government in a purely custodial capacity.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***C. Property Taxes***

Property taxes, special assessments, sales tax, licenses, intergovernmental revenues, investment earnings, charges for services and fines and penalties associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes attach as an enforceable lien on property. Secured and unsecured property taxes are levied on July 1<sup>st</sup>. The unsecured and secured property tax lien date is January 1. Unsecured property taxes become delinquent on August 31<sup>st</sup>. Secured property taxes are payable in two installments, on November 1<sup>st</sup> and February 1<sup>st</sup> of each year, and become delinquent on December 10<sup>th</sup> and April 10<sup>th</sup>, respectively. The County of El Dorado, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The County is permitted by State law to levy property taxes at 1% of full market value (at time of purchase) and can increase property assessed value no more than 2% per year.

***D. Cash, Cash Equivalents, and Investments***

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all cash and investments with fiscal agent as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***E. Fair Value Measurement***

GASB Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

***F. Receivables***

All receivables are shown net of an allowance for doubtful accounts. Service charges revenues (water and sewer) are recorded as billed to customers on a cyclical basis. All utility customers are billed bi-monthly.

***G. Interfund Balances/Internal Balances***

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

***H. Compensated Absences***

Amounts of vested or accumulated vacation, sick leave, compensatory time off, floating holidays, management leave, and related benefits on such compensation that are not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Statement of Net Position. No expenditure is reported for these amounts in the Governmental Fund Financial Statements.

***I. Capital Assets***

Capital assets, which include land, buildings, building improvements, equipment, and infrastructure assets (e.g., streets, bridges, storm drains, sewer and water lines, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (Continued)**

Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General capital assets	\$ 5,000
Infrastructure capital assets	100,000

Depreciation has been provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
General Capital Assets:	
Building, Improvements	40
Improvements, other than Buildings	25
Furniture and Fixtures	5
Machinery and Equipment	5
Vehicles	5
Infrastructure:	
Water / Sewer Lines	25
Streets	40

Interest accrued during capital assets construction, if any, is capitalized for the business-type and enterprise funds as part of the asset cost. For fiscal year ended June 30, 2016, there was no capitalized interest.

**J. Unearned/Unavailable Revenue**

In the Government-Wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are long-term assessments, long-term loans receivable, and prepaid charges for services.

In the Fund Financial Statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and loans receivable.

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***K. Pensions (Continued)***

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

***L. Long-Term Liabilities***

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements the long-term debt and other financed obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as expenditures.

In the Fund Financial Statements, proprietary fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

***M. Net Position and Fund Equity***

**Government-Wide Financial Statements and Proprietary Fund Financial Statements**

In government-wide financial statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Fund Financial Statements**

In the governmental fund financial statements, fund balances are classified in the following categories:

*Nonspendable*: Items that cannot be spent because they are not in spendable form, such as land held for development, long term portions of receivables, inventories, prepaid items, and also items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

*Restricted*: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***M. Net Position and Fund Equity (Continued)***

**Fund Financial Statements (Continued)**

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and all of its component units.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has the authority to assign funds for the City of Placerville.

Unassigned: This category is for all balances that have no restrictions placed upon them. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to the purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

**Spending Policy**

For Government-Wide Financial Statements and Proprietary Fund Financial Statements, when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first.

For Governmental Fund Financial Statements, the City's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available, except for instances wherein a City ordinance or resolutions specifies the fund balance. The City's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances have been spent, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, except for instances wherein a City ordinance specifies the fund balance.

***N. Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***O. Accounting Changes***

**Implementation of New GASB Pronouncements for the Year Ended June 30, 2016**

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2016. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Accounting Changes (Continued)***

**Implementation of New GASB Pronouncements for the Year Ended June 30, 2016 (Continued)**

***GASB Statement No. 72***

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the City.

***GASB Statement No. 76***

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

***GASB Statement No. 79***

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes standards relating to accounting and financial reporting for certain investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

**Upcoming Government Accounting Standards Implementation**

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

***GASB Statement No. 73***

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2016.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Accounting Changes (Continued)***

**Upcoming Government Accounting Standards Implementation (Continued)**

***GASB Statement No. 74***

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

***GASB Statement No. 75***

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

***GASB Statement No. 77***

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

***GASB Statement No. 78***

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

***GASB Statement No. 79***

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

***GASB Statement No. 80***

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Accounting Changes (Continued)***

**Upcoming Government Accounting Standards Implementation (Continued)**

***GASB Statement No. 81***

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

***GASB Statement No. 82***

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City's fiscal year ending June 30, 2018.

***GASB Statement No. 83***

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

***GASB Statement No. 84***

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Accounting Changes (Continued)***

**Upcoming Government Accounting Standards Implementation (Continued)**

***GASB Statement No. 85***

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

***GASB Statement No. 86***

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

***GASB Statement No. 87***

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

**Note 2 – Cash and Investments**

***A. Summary of Cash and Investments***

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2016:

	<b>Primary Government</b>			<b>Fiduciary Funds</b>	<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>		
Cash and investments	\$ 1,508,120	\$ 2,204,487	\$ 3,712,607	\$ 530,443	\$ 4,243,050
Restricted cash and investments	1,305,646	-	1,305,646	-	1,305,646
Cash and investments with fiscal agent	110,905	2,636,772	2,747,677	-	2,747,677
<b>Total</b>	<b>\$ 2,924,671</b>	<b>\$ 4,841,259</b>	<b>\$ 7,765,930</b>	<b>\$ 530,443</b>	<b>\$ 8,296,373</b>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

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

Cash, cash equivalents, and investments, consisted of the following at June 30, 2016:

<b>Cash and cash equivalents:</b>	
Petty cash	\$ 3,355
Demand deposits	3,374,784
<b>Investments:</b>	
Local Agency Investment Fund	2,170,557
Money market funds	2,747,677
<b>Total</b>	<u><u>\$ 8,296,373</u></u>

**B. Cash Deposits**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City invests to enhance interest earnings. The pooled interest earned is allocated to the funds quarterly, based on the average daily cash and investment balances in each fund.

At June 30, 2016, the carrying amount of the City's deposits was \$3,374,784. Bank balances before reconciling items were \$4,076,502 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**C. Investments**

At June 30, 2016, cash and investments, excluding restricted cash and investments held by fiscal agent, are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

Investment Type	Total as of June 30, 2016	Percentage of Investments	Measurement Inputs
Local Agency Investment Fund	\$ 2,170,557	44.13%	N/A
Money market funds	2,747,677	55.87%	Not Rated
<b>Total</b>	<u><u>\$ 4,918,234</u></u>		

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Cash and Investments (Continued)**

**C. Investments (Continued)**

The City is authorized by State statutes and in accordance with the City’s Investment Policy (Policy) to invest in the following:

- Bankers Acceptances
- California Local Agency Investment Fund (LAIF)
- Certificates of Deposit
- Commercial Paper (Corporations)
- County Pooled Funds
- Medium-Term Corporate Notes
- Money Market Accounts
- Mutual Funds
- Negotiable Certificates of Deposit
- Passbook Savings and Demand Deposits Accounts
- Repurchase Agreements collateralized by U.S. Securities or U.S. Government Federal Agencies
- Reverse Purchase Agreements
- U.S. Treasury Securities

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The City’s investments comply with the established policy.

Investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

Unrealized gain/(loss) in changes in fair value of investments	\$	1,348
Interest income		<u>18,679</u>
Total investment income	\$	<u><u>20,027</u></u>

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year that matured or were called/sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

The City’s portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise.

The portfolio, for year-end reporting purposes, is treated as if it were all sold. Therefore, fund balance reflects the portfolio’s change in value. These portfolio value changes are unrealized unless sold. The City’s policy is to buy and hold investments until their maturity dates.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

**C. Investments (Continued)**

*Investments held by Fiscal Agent.* The investments held by fiscal agents in the amount of \$2,747,677 are to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable City ordinances, resolutions, or bond indentures.

**D. Risk Disclosures**

*Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2016, the City's pooled cash and investments had the following maturities:

	Amount	Maturities 1 year or less
<b>Cash and cash equivalent:</b>		
Petty cash	\$ 3,355	\$ 3,355
Demand deposits	3,374,784	3,374,784
<b>Investments:</b>		
Local Agency Investment Fund	2,170,557	2,170,557
Money market funds	2,747,677	2,747,677
<b>Total</b>	\$ 8,296,373	\$ 8,296,373

*Credit Risk* is the risk of loss due to failure of the security issuer. The risk can be identified thru the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only on type of investments allowed for municipalities by the Government Code as listed on the City's investment policy and investing only on instruments that are most credit worthy.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
<b>Investments:</b>			
Local Agency Investment Fund	\$ 2,170,557	Not Rated	Not Rated
Money market funds	2,747,677	Not Rated	Not Rated
<b>Total</b>	\$ 4,918,234		

According to the City's investment policy, the aggregate investment in medium-term notes will not exceed 10% of the City's total portfolio. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

The City's investments (excluding investments held by fiscal agents) are only in Local Agency Investment Fund which is not rated by a NRSRO.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

**D. Risk Disclosures (Continued)**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

**E. Fair Value of Investments**

The City's investments are carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included as income for the fiscal year. Changes in value in the fiscal year ended June 30, 2016, amounted to an unrealized gain of \$1,348.

**F. Investments in Local Agency Investment Fund**

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2016, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

*Structured Notes* are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities*, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2016, the City had \$2,170,557 invested in LAIF, which had invested 2.81% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF.

**Note 3 – Interfund Transactions**

**A. Due From and To Other Funds**

At June 30, 2016, the City had the following short-term interfund receivables and payables:

Due From	Due To			
	Governmental Activities		Business-Type Activities	
	Transportation Development	Non-Major	Measure H	Total
Governmental Activities				
General	\$ 52,901	\$ 10,546	\$ -	\$ 63,447
Transportation Development	-	56,717	-	56,717
Business-Type Activities				
Water	20,954	-	-	20,954
Sewer	20,951	-	102,835	123,786
Totals	\$ 94,806	\$ 67,263	\$ 102,835	\$ 264,904

These balances resulted from short-term loans used to cover operating cash deficits at year-end. These amounts will be repaid in the following fiscal year.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Interfund Transactions (Continued)**

**B. Long-Term Advances**

At June 30, 2016, the City had the following long-term interfund advances:

Advances to Other Funds				
Governmental Activities				
Advances From Other Funds	Transportation			Total
	Measure J	Development	Non-Major	
Governmental Activities				
General	\$ -		\$ 127,869	\$ 127,869
Internal Service	42,187	200,000	293,058	535,245
Totals	<u>\$ 42,187</u>	<u>\$ 200,000</u>	<u>\$ 420,927</u>	<u>\$ 663,114</u>

These balances resulted from long-term loans used to cover operating cash deficits at year-end. These amounts will be repaid with future revenues.

**C. Transfers In and Out**

At June 30, 2016, the City had the following transfers:

Transfers In							
Transfers Out	Governmental Activities				Business-Type Activities		Total
	Transportation			Internal	Water	Sewer	
	General	Development	Non-Major	Service Fund			
Governmental Activities							
General	\$ -	\$ -	\$ 27,755	\$ 77,124	\$ -	\$ -	\$ 104,879
Transportation Development	-	-	4,511	-	-	-	4,511
Non-Major	233,817	96,717	-	-	-	-	330,534
Business-Type Activities							
Water	-	-	-	80,685	-	-	80,685
Sewer	-	-	-	247,161	-	-	247,161
Measure H	-	-	-	-	40,486	605,139	645,625
Totals	<u>\$ 233,817</u>	<u>\$ 96,717</u>	<u>\$ 32,266</u>	<u>\$ 404,970</u>	<u>\$ 40,486</u>	<u>\$ 605,139</u>	<u>\$ 1,413,395</u>

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorizations.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets**

**A. Government-Wide Financial Statements**

At June 30, 2016, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land and improvements	\$ 12,831,451	\$ 2,328,974	\$ 15,160,425
Construction in progress	11,706,039	2,680,454	14,386,493
Total non-depreciable assets	<u>24,537,490</u>	<u>5,009,428</u>	<u>29,546,918</u>
Depreciable Assets:			
Building and structures	12,137,552	73,861,671	85,999,223
Machinery and equipment	3,046,413	1,230,304	4,276,717
Infrastructure	10,112,580	48,113,181	58,225,761
	25,296,545	123,205,156	148,501,701
Less accumulated depreciation	<u>(9,195,130)</u>	<u>(61,935,389)</u>	<u>(71,130,519)</u>
Total depreciable assets, net	<u>16,101,415</u>	<u>61,269,767</u>	<u>77,371,182</u>
Total capital assets	<u>\$ 40,638,905</u>	<u>\$ 66,279,195</u>	<u>\$ 106,918,100</u>

In fiscal year ended June 30, 2016, the City counted, valued and reported its capital assets, including infrastructure for its business-type activities, as shown in the following tables.

**Governmental Activities**

The following is a summary of changes in capital assets for governmental activities:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Non-Depreciable Assets:					
Land and improvements	\$ 12,831,451	\$ -	\$ -	\$ -	\$ 12,831,451
Construction in progress	8,773,406	2,932,633	-	-	11,706,039
Total non-depreciable assets	<u>21,604,857</u>	<u>2,932,633</u>	<u>-</u>	<u>-</u>	<u>24,537,490</u>
Depreciable Assets:					
Building and structures	12,137,552	-	-	-	12,137,552
Machinery and equipment	2,710,729	445,395	(109,711)	-	3,046,413
Infrastructure	10,112,580	-	-	-	10,112,580
Total depreciable assets	24,960,861	445,395	(109,711)	-	25,296,545
Less accumulated depreciation	<u>(8,720,743)</u>	<u>(576,098)</u>	<u>101,711</u>	<u>-</u>	<u>(9,195,130)</u>
Total depreciable assets, net	<u>16,240,118</u>	<u>(130,703)</u>	<u>(8,000)</u>	<u>-</u>	<u>16,101,415</u>
Total capital assets	<u>\$ 37,844,975</u>	<u>\$ 2,801,930</u>	<u>\$ (8,000)</u>	<u>\$ -</u>	<u>\$ 40,638,905</u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets (Continued)**

**A. Government-Wide Financial Statements (Continued)**

**Governmental Activities (Continued)**

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2016 was as follows:

General government	\$	256,374
Public safety		46,740
Highways and street		233,671
Community Development		26,215
Parks and recreation		<u>13,098</u>
Total	\$	<u>576,098</u>

**B. Business-Type Activities**

The following is a summary of changes in capital assets for business-type activities:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<b>Non-Depreciable Assets:</b>					
Land and improvements	\$ 2,328,974	\$ -	\$ -	\$ -	\$ 2,328,974
Construction in progress	1,895,734	784,720	-	-	2,680,454
Total non-depreciable assets	<u>4,224,708</u>	<u>784,720</u>	<u>-</u>	<u>-</u>	<u>5,009,428</u>
<b>Depreciable Assets:</b>					
Building and structures	73,861,671	-	-	-	73,861,671
Machinery and equipment	1,054,669	175,635	-	-	1,230,304
Infrastructure	<u>48,113,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,113,181</u>
Total depreciable assets	123,029,521	175,635	-	-	123,205,156
Less accumulated depreciation	<u>(59,786,038)</u>	<u>(2,149,351)</u>	<u>-</u>	<u>-</u>	<u>(61,935,389)</u>
Total depreciable assets, net	<u>63,243,483</u>	<u>(1,973,716)</u>	<u>-</u>	<u>-</u>	<u>61,269,767</u>
Total capital assets	<u>\$ 67,468,191</u>	<u>\$ (1,188,996)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,279,195</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2016, were as follows:

Water	\$	201,563
Sewer		<u>1,947,788</u>
Total	\$	<u>2,149,351</u>

**C. Fund Financial Statements**

The fund financial statements do not present general government capital assets but they are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Long-Term Debt**

**A. Government-Wide Financial Statements**

Following is a summary of all long-term debt balances for the fiscal year ended June 30, 2016:

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 147,253	\$ 1,823,929	\$ 1,971,182
Noncurrent portion of long-term debt			
2006 State Revolving Loan	-	35,350,114	35,350,114
2006 Sewer Revenue Bonds	-	17,215,000	17,215,000
1997 State Revolving Loan	-	422,220	422,220
City Hall Capital Lease	390,048	232,401	622,449
2015 Equipment Lease	321,759	226,594	548,353
Total noncurrent portion of long-term debt	711,807	53,446,329	54,158,136
Total long-term debt	<u>\$ 859,060</u>	<u>\$ 55,270,258</u>	<u>\$ 56,129,318</u>

**Governmental Activities**

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due within one year	Due in more than one year
City Hall Capital Lease	\$ 584,339	\$ -	\$ 94,733	\$ 489,606	\$ 99,558	\$ 390,048
2015 Equipment Lease	419,986	-	50,532	369,454	47,695	321,759
Total	<u>\$ 1,004,325</u>	<u>\$ -</u>	<u>\$ 145,265</u>	<u>\$ 859,060</u>	<u>\$ 147,253</u>	<u>\$ 711,807</u>

**Business-Type Activities**

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due within one year	Due in more than one year
2006 State Revolving Loan	\$ 38,407,376	\$ -	\$ 1,528,631	\$ 36,878,745	\$ 1,528,631	\$ 35,350,114
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	-	17,215,000
1997 State Revolving Loan	823,512	-	198,071	625,441	203,221	422,220
City Hall Capital Lease	348,578	-	56,646	291,932	59,531	232,401
2008 Vector Truck	14,118	-	14,118	-	-	-
2015 Equipment Lease	286,532	-	27,392	259,140	32,546	226,594
Total	<u>\$ 57,095,116</u>	<u>\$ -</u>	<u>\$ 1,824,858</u>	<u>\$ 55,270,258</u>	<u>\$ 1,823,929</u>	<u>\$ 53,446,329</u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 5 – Long-Term Debt (Continued)**

**A. Government-Wide Financial Statements (Continued)**

Capital Leases

The City secured a capital lease in the amount of \$2,052,000 with an interest rate of 5.08% in order to finance tenant improvements to the first three floors of the City Hall facility, located at 3101 Center Street, new exterior painting, brick façade, sidewalks, and street improvements around facility. The Lease payable is allocated between the governmental activities, 63%, and business-type activities, 37%. Principal and interest payments are due in April and October each year. The annual debt service requirements for the City Hall Capital Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 159,089	\$ 37,383	\$ 196,472
2018	167,192	29,280	196,472
2019	175,708	20,764	196,472
2020	184,657	11,815	196,472
2021	94,892	2,410	97,302
Total	<u>\$ 781,538</u>	<u>\$ 101,652</u>	<u>\$ 883,190</u>

The City secured a capital lease in the amount of \$195,394 with an interest rate of 4.69% in order to finance a new Vactor Truck for the Public Works Department. The multipurpose Vactor Truck has improved the routine maintenance of the City’s sewer collection lines and storm drains. Principal and interest payments were due in November and April each year. The Vactor Truck capital lease was paid in full in Fiscal Year 2015/2016.

In February 2015, the City secured a capital lease in the amount of \$706,518 in order to finance 13 pieces of equipment ranging from a folder/insertor machine to a street sweeper truck. The interest rate for equipment with a five-year useful life is 2.65% and equipment with a ten-year useful life is 3.00%. The Lease payable is allocated between the governmental activities, 59.44%, and business-type activities, 40.56%. Principal and interest payments are due in August and February each year. The annual debt service requirements for the 2015 Equipment Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 80,241	\$ 17,969	\$ 98,210
2018	82,627	15,582	98,209
2019	85,084	13,125	98,209
2020	87,615	10,595	98,210
2021	55,222	8,246	63,468
2022-2025	237,805	16,066	253,871
Total	<u>\$ 628,594</u>	<u>\$ 81,583</u>	<u>\$ 710,177</u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Long-Term Debt (Continued)**

**A. Government-Wide Financial Statements (Continued)**

Capital Leases (Continued)

The City entered into two capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

	June 30, 2016
Building and structures	\$ 2,052,000
Machinery and equipment	706,518
Assets under capitalized lease, at cost	2,758,518
Accumulated depreciation	(720,885)
Assets under capitalized lease, net	\$ 2,037,633

Revenue Bonds Payable

On March 14, 2006, the Placerville PFA issued the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds in the amount of \$17,215,000 pursuant to an Indenture by and between the Placerville PFA and Union Bank of California, N.A. as Trustee. A portion of the proceeds from the Bonds were used to refinance the Series 1994 Sewer Revenue Refunding and Phase II Improvement Bonds. The remainder of the Bond proceeds are being used to partially finance State mandated improvements to the City's Wastewater Treatment Plant, relocate and replace a section of sewer line along Hangtown Creek, and construct other capital projects related to the Wastewater System. The bonds are payable solely from wastewater net revenues and are payable through 2034. Annual interest payments for the Fiscal Year ended June 30, 2016, required 33.31% of net revenues. The total remaining principal and interest to be paid on the bonds is \$29,828,798. Interest paid for the current year and total net revenues were \$830,657 and \$2,493,799, respectively. Principal payments are due September 1 of each year beginning in 2018 and interest payments ranging from 4.00% to 5.00% are due March 1 and September 1 of each year. The annual debt service requirements for the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2017	\$ -	\$ 830,657	\$ 830,657
2018	-	830,657	830,657
2019	97,500	830,657	928,157
2020	200,000	826,758	1,026,758
2021	210,000	818,758	1,028,758
2022-2026	1,222,500	3,948,600	5,171,100
2027-2031	6,382,500	3,466,085	9,848,585
2032-2035	9,102,500	1,061,626	10,164,126
Total	\$ 17,215,000	\$ 12,613,798	\$ 29,828,798

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 5 – Long-Term Debt (Continued)**

**A. Government-Wide Financial Statements (Continued)**

1997 State Revolving Loans

In 1997, the City secured a State Revolving Loan in the amount of \$3,247,671 and an interest rate of 2.6% to construct improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2019. Annual principal and interest payments on the loan for the fiscal year ended June 30, 2016, required 8.80% of net revenues. The total remaining principal and interest to be paid on the loan is \$658,237. Principal and interest paid for the current year and total net revenues were \$219,482 and \$2,493,799, respectively. Principal and interest payments are due in February of each year. The annual debt service requirements for the 1997 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 203,221	\$ 16,261	\$ 219,482
2018	208,504	10,978	219,482
2019	213,716	5,557	219,273
Total	<u>\$ 625,441</u>	<u>\$ 32,796</u>	<u>\$ 658,237</u>

2006 State Revolving Loans

In 2006, the City secured a State Revolving Loan in the amount of \$42,864,638 with an interest rate of 0.00% to partially finance improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2040. Annual principal payments on the loan for the fiscal year ended June 30, 2016, required 61.30% of net revenues. The total remaining principal to be paid on the loan is \$36,878,745. Principal paid for the current year and total net revenues were \$1,528,631 and \$2,493,799 respectively. Principal payments are due in September and March of each year. The annual debt service requirements for the 2006 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,528,631	\$ -	\$ 1,528,631
2018	1,528,631	-	1,528,631
2019	1,528,631	-	1,528,631
2020	1,528,631	-	1,528,631
2021	1,528,631	-	1,528,631
2022-2026	7,643,156	-	7,643,156
2027-2031	7,643,156	-	7,643,156
2032-2036	7,643,156	-	7,643,156
2037-2040	6,306,122	-	6,306,122
Total	<u>\$ 36,878,745</u>	<u>\$ -</u>	<u>\$ 36,878,745</u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Long-Term Debt (Continued)**

**A. Government-Wide Financial Statements (Continued)**

2006 State Revolving Loans (Continued)

Annual debt service requirements for all bonds, loans and capital leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,971,182	\$ 902,270	\$ 2,873,452
2018	1,986,954	886,497	2,873,451
2019	2,100,639	870,103	2,970,742
2020	2,000,903	849,168	2,850,071
2021	1,888,745	829,414	2,718,159
2022-2026	9,103,461	3,964,666	13,068,127
2027-2031	14,025,656	3,466,085	17,491,741
2032-2036	16,745,656	1,061,626	17,807,282
2037-2040	6,306,122	-	6,306,122
Total	<u>\$ 56,129,318</u>	<u>\$ 12,829,829</u>	<u>\$ 68,959,147</u>

**B. Fund Financial Statements**

The fund financial statements do not present general government long-term debt but it is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

**Note 6 – Compensated Absences**

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$1,172,132. The City typically uses the General Fund to liquidate compensated absences.

**Note 7 – Public Employees’ Retirement System**

**A. Summary**

**Aggregate Net Pension Liability**

Aggregate Net pension liability is reported in the accompanying Statements of Net Position as follows:

	Governmental Activities	Business-Type Activities		Total
		Water Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 5,659,656	\$ 867,609	\$ 2,254,203	8,781,468
CalPERS Safety Plans	5,019,871	-	-	5,019,871
Total	<u>\$ 10,679,527</u>	<u>\$ 867,609</u>	<u>\$ 2,254,203</u>	<u>\$ 13,801,339</u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**A. Summary (Continued)**

**Deferred Outflows of Resources**

Deferred outflows of resources are reported in the accompanying Statements of Net Position as follows:

*Pension Contributions Made after the Measurement Date*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 488,721	\$ 74,920	\$ 194,655	\$ 758,296
CalPERS Safety Plans	457,324	-	-	457,324
<b>Total</b>	<b>\$ 946,045</b>	<b>\$ 74,920</b>	<b>\$ 194,655</b>	<b>\$ 1,215,620</b>

*Positive Adjustments due to Differences in Proportions*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 459,608	\$ 70,456	\$ 183,058	\$ 713,122
CalPERS Safety Plans	32,075	-	-	32,075
<b>Total</b>	<b>\$ 491,683</b>	<b>\$ 70,456</b>	<b>\$ 183,058</b>	<b>\$ 745,197</b>

*Differences between Expected and Actual Experience*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 23,300	\$ 3,572	\$ 9,280	\$ 36,152
CalPERS Safety Plans	-	-	-	-
<b>Total</b>	<b>\$ 23,300</b>	<b>\$ 3,572</b>	<b>\$ 9,280</b>	<b>\$ 36,152</b>

*Total Pension-related Deferred Outflows*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 971,629	\$ 148,948	\$ 386,993	\$ 1,507,570
CalPERS Safety Plans	489,399	-	-	489,399
<b>Total</b>	<b>\$ 1,461,028</b>	<b>\$ 148,948</b>	<b>\$ 386,993</b>	<b>\$ 1,996,969</b>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**A. Summary (Continued)**

**Deferred Inflows of Resources**

Deferred inflows of resources are reported in the accompanying Statements of Net Position as follows:

*Difference between Projected and Actual Earnings on Pension Plan Investments*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 110,508	\$ 16,941	\$ 44,015	\$ 171,464
CalPERS Safety Plans	101,952	-	-	101,952
<b>Total</b>	<b>\$ 212,460</b>	<b>\$ 16,941</b>	<b>\$ 44,015</b>	<b>\$ 273,416</b>

*Changes in Assumptions*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 220,437	\$ 33,792	\$ 87,799	\$ 342,028
CalPERS Safety Plans	201,167	-	-	201,167
<b>Total</b>	<b>\$ 421,604</b>	<b>\$ 33,792</b>	<b>\$ 87,799</b>	<b>\$ 543,195</b>

*Negative Differences between City’s Contribution and Proportionate Share of Contribution*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 46,311	\$ 7,099	\$ 18,445	\$ 71,855
CalPERS Safety Plans	139,696	-	-	139,696
<b>Total</b>	<b>\$ 186,007</b>	<b>\$ 7,099</b>	<b>\$ 18,445</b>	<b>\$ 211,551</b>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**A. Summary (Continued)**

**Deferred Inflows of Resources (Continued)**

*Differences between Expected and Actual Experience*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ -	\$ -	\$ -	\$ -
CalPERS Safety Plans	43,738	-	-	43,738
<b>Total</b>	<b>\$ 43,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,738</b>

*Total Pension-related Deferred Inflows*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total</b>
		<b>Enterprise Funds</b>		
		<b>Water Fund</b>	<b>Wastewater Fund</b>	
CalPERS Miscellaneous Plans	\$ 377,256	\$ 57,832	\$ 150,259	\$ 585,347
CalPERS Safety Plans	486,553	-	-	486,553
<b>Total</b>	<b>\$ 863,809</b>	<b>\$ 57,832</b>	<b>\$ 150,259</b>	<b>\$ 1,071,900</b>

**B. Pension Plans**

**Plan Description**

Substantially all City employees working the equivalent of 1,000 hours or more per fiscal year are required to participate in the Miscellaneous Classic, Safety Classic, Miscellaneous Second-Tier, Safety Second-Tier, Miscellaneous PEPRA or Safety PEPRA cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. 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. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

**Plan Description (Continued)**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for classic safety and miscellaneous employees are calculated as 3% and 2.5 %, respectively, of the average final 36 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service.

**Benefits Provided**

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 36 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

**Employees Covered**

At June 30, 2015 measurement date, the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Plans	60	81	64
Safety Plans	18	34	44

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, and 11.15% for the Safety PEPRA Plan, and 6.50%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 30.26% of annual payroll for the Miscellaneous Classic Plan, 45.42% for the Safety Classic Plan, 11.15% for the Safety PEPRA Plan, and 6.50% for the Miscellaneous PEPRA Plan.

For the measurement period ended June 30, 2015, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	<u>Contributions - employer</u>
Miscellaneous Plans	\$ 537,280
Safety Plans	332,478
<b>Total</b>	<u>\$ 869,758</u>

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

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 the Plans is measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015 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.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
<b>Miscellaneous Plans:</b>			
Balance at: 6/30/14 (Valuation date)	\$ 27,306,137	\$ 20,035,468	\$ 7,270,669
Balance at: 6/30/15 (Measurement date)	27,532,565	18,751,097	8,781,468
Net Changes during 2014-2015	226,428	(1,284,371)	1,510,799
<b>Safety Plans:</b>			
Balance at: 6/30/14 (Valuation date)	\$ 18,386,769	\$ 13,946,181	\$ 4,440,588
Balance at: 6/30/15 (Measurement date)	18,934,043	13,914,172	5,019,871
Net Changes during 2014-2015	547,274	(32,009)	579,283

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

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

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous Plans	Safety Plans
Proportion June 30, 2014	0.26224%	0.11316%
Proportion June 30, 2015	0.32009%	0.12183%
Change - Increase (Decrease)	0.05785%	0.00867%

For the year ended June 30, 2016, the City recognized pension expense in the amounts of \$164,499 and \$96,590, for the Miscellaneous plans and Safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired).

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plans from the following sources:

	<b>Miscellaneous Plans</b>	
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (171,463)
Adjustment due to differences in proportions	713,122	-
Changes in assumptions	-	(342,028)
Difference between actual and expected experience	36,152	-
Difference between Employer's actual contributions and proportionate share of contributions	-	(71,856)
Pension contributions after measurement date	758,296	-
Total	\$ 1,507,570	\$ (585,347)

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

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

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Safety Plans from the following sources:

<b>Safety Plans</b>			
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>	
Difference between projected and actual earning on pension plan investments	\$ -	\$ (101,952)	
Adjustment due to differences in proportions	32,075	-	
Changes in assumptions	-	(201,167)	
Difference between actual and expected experience	-	(43,738)	
Difference between Employer's actual contributions and proportionate share of contributions	-	(139,696)	
Pension contributions after measurement date	457,324	-	
Total	\$ 489,399	\$ (486,553)	

For the Miscellaneous plans and Safety plans, \$758,296 and \$457,324, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Plans	Safety Plans
2016	\$ 523	\$ (207,284)
2017	(5,612)	(204,103)
2018	(50,154)	(168,246)
2019	219,170	125,155
2020	-	-
Thereafter	-	-
	\$ 163,927	\$ (454,478)

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

**Change of Assumption**

In accordance with GASB 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at 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. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

**Discount Rate (Continued)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management 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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) 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 table below reflects 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 geometric rates of return are net of administrative expenses.

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2016 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.00%	5.25%	5.71%
Global Fixed Income	17.00%	0.99%	2.43%
Inflation Sensitive	4.00%	0.45%	3.36%
Private Equity	14.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	0.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%
	100%		

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Public Employees’ Retirement System (Continued)**

**B. Pension Plans (Continued)**

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

The following presents the City’s proportionate share of the net pension liability for each Plan type, 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 one percentage point lower or one percentage point higher than the current rate:

	<b>Plan's Aggregate Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate + 1% (8.50%)</b>
Miscellaneous Plans	14,727,135	8,781,468	3,872,630
Safety Plans	8,048,577	5,019,871	2,536,388
	<b>\$ 22,775,712</b>	<b>\$ 13,801,339</b>	<b>\$ 6,409,017</b>

**Pension Plan Fiduciary Net Position**

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

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**C. Deferred Compensation Plan**

In 1983, the City established a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plans permit all eligible employees to execute an individual agreement with the City for amounts earned by them, to be paid at a future date when certain circumstances are met. These circumstances include termination by reason of retirement, death, disability or other events as provided for in the Plans. Employees may contribute up to \$18,000 of their annual compensation into the deferred compensation plan.

During the fiscal year ended June 30, 1999, the City amended its deferred compensation plan to comply with subsection (g) of the Internal Revenue Code Section 457, which states that assets of the plan are held for exclusive benefit of participants and their beneficiaries. Accordingly, the assets and related liabilities for the Plan, which amounted to \$2,500,237 at June 30, 2016, have been removed from the basic financial statements of the City, with no impact on fund equity.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Post-Retirement Medical Care Benefits**

**A. Plan Description**

The City provides a retiree medical insurance contribution benefit in accordance with employee Memorandums of Understanding, for retired employees. This is a single employer defined benefit OPEB plan. The benefit is applicable to employees who retire from the City of Placerville and,

- Are 53 years of age or older; and
- Have 10 or more years of service with the City of Placerville.

The City contributes an amount each month towards the purchase of medical insurance for the retiree on a pay as you go basis. The monthly amount is determined by the applicable Memorandum of Understanding or salary and benefit provisions for the retired employee. The contribution is based upon the employees' years of service up to a maximum of 20 years, multiplied by the maximum benefit for the respective employee unit. The City pays the contribution amount until the retiree reaches age 65 or dies, whichever occurs first. Although this benefit ends at age 65, retirees who reach 65 or older continue to receive a monthly minimum contribution in the amount \$80.80 until death or disenrollment from the Plan.

**B. Funding Policy**

The City currently participates in a retiree medical plan through the Special Districts Risk Management Authority (SDRMA). There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If a retiree elects medical insurance coverage through the City, the retiree is responsible for paying the difference between the medical insurance premium and the medical benefit.

The City is evaluating various options for funding the post-retirement medical benefits liability. The City has not established a trust for purposes of funding the required retiree medical insurance contribution but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans on funding a portion or all of the Annual Required Contribution each year based upon projections from the July 1, 2015, actuarial valuation study performed by Demsey, Filliger & Associates.

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	373,124
Interest on net OPEB obligation		32,462
Adjustments to annual required contribution		<u>(46,932)</u>
Annual OPEB cost (expense)		358,654
Contribution made		<u>(97,083)</u>
Increase (decrease) in net OPEB obligation		261,571
Net OPEB obligation - beginning of year		<u>811,550</u>
Net OPEB obligation - end of year	\$	<u><u>1,073,121</u></u>

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Post-Retirement Medical Care Benefits (Continued)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contributed	Net OPEB Obligation
6/30/2014	\$ 312,593	\$ (155,798)	50%	\$ 629,349
6/30/2015	309,798	(127,597)	41%	811,550
6/30/2016	358,654	(97,083)	27%	1,073,121

**D. Funded Status and Funding Progress**

The funding status of the City’s OPEB plan is as follows:

<b>Schedule of Funding Progress</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2015	\$ -	\$ 2,947,972	\$ 2,947,972	0%	\$ 5,980,354	49.29%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits.

**E. Actuarial Methods and Assumptions**

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs. The actuarial assumptions include a 4.00% discount rate, compounded annually, and it is based on the City expected rate of discount, based on the assumption that the plan will not be funded. The health care cost trend rate was assumed to be 6.00% for Fiscal Year 2015/2016 and 5.00% thereafter compounded annually. The SOA RP-2014 Total Dataset Mortality Probability of Death Within One Year mortality rates were also assumed.

**F. Actuarial Cost Method**

The Individual Entry Age Actuarial Cost Method was used. Under this method, the cost of each member’s projected retiree medical benefit is funded through a series of annual payments, determined as a level dollar amount, from age at hire to assumed exit age. This level amount, known as normal cost, is this computed as though the plan had always been in effect.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Post-Retirement Medical Care Benefits (Continued)**

**F. Actuarial Cost Method (Continued)**

The Individual Entry Age Actuarial Cost Method was used. Under this method, the cost of each member's projected retiree medical benefit is funded through a series of annual payments, determined as a level dollar amount, from age at hire to assumed exit age. This level amount, known as normal cost, is this computed as though the plan had always been in effect.

A yearly normal cost for each member is individually determined then added together to obtain the normal cost amount for the plan for that year. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). The annual cost of a plan consists of two components: normal cost and a payment, which may vary between prescribed limits, toward the UAAL.

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL. It is intended that the UAAL be recognized over a 30-year period through amortizations as a level dollar amount.

**Note 9 – Classification of Fund Balance and Other Fund Disclosures**

In governmental funds, fund balances are classified as follows:

	Major Funds				Total
	General	Transportation Development	Measure J	Non-Major	
<i>Nonspendable</i>					
Prepaid items	\$ 114,902	\$ -	\$ -	\$ -	\$ 114,902
Long-term receivable	63,447	-	-	-	63,447
Advances to other funds	127,869	-	-	-	127,869
Inventory	12,757	-	-	-	12,757
Total	318,975	-	-	-	318,975
<i>Restricted</i>					
Transportation	-	51,324	-	-	51,324
Police services	-	-	370,266	-	370,266
Gas Tax	-	-	-	115,715	115,715
Development Impact	-	-	-	614,773	614,773
Grants	-	-	-	293,370	293,370
BAD, CFD, & LLMD	-	-	-	144,787	144,787
Park Development	-	-	-	42,388	42,388
Total	-	51,324	370,266	1,211,033	1,632,623
<i>Committed</i>					
Capital projects	81,587	-	-	22,812	104,399
Total	81,587	-	-	22,812	104,399
<i>Unassigned</i>					
	1,757,401	-	-	(247,560)	1,509,841
<b>Total fund balances</b>	<b>\$ 2,157,963</b>	<b>\$ 51,324</b>	<b>\$ 370,266</b>	<b>\$ 986,285</b>	<b>\$ 3,565,838</b>

**Encumbrances**

The City utilizes encumbrance accounting as a means of controlling expenditures. Under this method, funds are encumbered when purchase orders, contracts and other commitments are signed or approved by authorized City officials. Such outstanding commitments at year-end do not constitute expenditures or liabilities.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Classification of Fund Balance and Other Fund Disclosures (Continued)**

**Encumbrances (Continued)**

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either nonspendable, committed, restricted or assigned and are included in the respective functional categories. These encumbrances are not separately classified in the financial statements, and are summarized at June 30, 2016 as follows:

Fund	Amount
Transportation Development	\$ 1,041,852
Non-Major	2,297,522
Business Typ Activities	
Water	247,565
Total encumbrances	\$ 3,586,939

**Capital Commitments**

The City is undertaking a number of capital improvement projects, the most significant of which include the following capital project commitments outstanding at June 30, 2016:

Project	Amount
Western Placerville Interchange	\$ 723,915
Placerville Station II	809,069
Placerville Drive Bridge Widening	479,499
Western Placerville Interchange, Phase 1B	18,618
Upper Broadway Bike Lanes	9,971
Waterline	1,423,810
Total commitments	\$ 3,464,882

**Fund Equity Deficits**

The City's governmental activities had an unrestricted net position (deficit) of \$(9,949,917) as of June 30, 2016. This is mainly due to reporting of net pension liability of \$(10,679,527) as required under GASB Statement No. 68 (Note 7).

The Parking District Special Revenue Fund, which is a non-major fund, has an accumulated deficit of \$(247,560) at June 30, 2016. This amount will be offset with charges for services increases in future years.

**Expenditures in Excess of Appropriations**

The following funds report expenditures in excess of appropriations for the year ended June 30, 2016.

Fund	Function	Excess
General Fund	Public safety	\$ (15,346)
General Fund	Highways and streets	\$ (59,738)
General Fund	Community development	\$ (24,018)
Measure J Fund	Public safety	\$ (12,330)
Grants Fund	General Government	\$ (275)
BAD, CFD, & LLMD Fund	Highways and streets	\$ (206)
BAD, CFD, & LLMD Fund	Parks and recreation	\$ (513)
Capital Projects Fund	Parks and recreation	\$ (14)

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Prior Period Adjustment**

The beginning net position at July 1, 2015 for the proprietary funds was restated as follows due to interest payable not being reported in Fiscal Year 2014/2015:

	<u>Proprietary Funds</u>	<u>Government-Wide</u>
	<u>Sewer Fund</u>	<u>Business-Type Activities</u>
Beginning Net Position, as previously reported	\$ 8,875,866	\$ 14,857,812
Prior period adjustments:		
Correct interest payable not recorded at 6/30/2015	(279,483)	(279,483)
Beginning Net Position, as restated	<u>\$ 8,596,383</u>	<u>\$ 14,578,329</u>

**Note 11 – Risk Management**

The City is a member of joint powers authorities for general liability, property, and workers compensation insurance programs as described below. The purpose of the authorities is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member city has a representative on the Board of Directors. Officers of the authorities are elected annually by the Board of Directors.

The following provides a reconciliation of claims payable, which are recorded as an Internal Service Fund, for the three years ended June 30, 2014, 2015, and 2016:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments For Current and Prior Years</u>	<u>End of Year Liability</u>
2013-2014	\$ 258,423	\$ 66,651	\$ (49,787)	\$ 275,287
2014-2015	275,287	70,436	(67,420)	278,303
2015-2016	278,303	311,330	(340,740)	248,893

**Northern California Cities Self Insurance Fund**

Northern California Cities Self Insurance Fund (Authority) is a joint powers authority created by certain Northern California cities to provide claims processing administrative services, risk management service and actuarial studies for the Authority as a whole. The Workers Compensation Program comprises a banking layer for claims up to \$100,000 and a Shared Risk Pool for claims from \$100,000 to \$500,000. Excess commercial insurance coverage is provided for claims over the shared risk layers. The Authority is governed by a Board of Directors comprised of officials appointed by each member. The activities of the Authority include setting and collecting premiums, administering and paying claims and related expenses and investing the Authority's excess funds.

*Shared Risk Pool* - Each member is assessed a contribution which is intended to cover its share of the Authority's claims, operating costs and claim settlement expenses. Contributions are based on an actuarially determined rate for each coverage layer (pool), based on an estimate of the probable losses and expenses to be borne by that pool for the claim year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study. Losses are allocated on the basis of each participant's

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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share of cash contributions. All contributions are recognized as revenues when earned, based on the period covered by the contribution.

**Note 11 – Risk Management (Continued)**

**Northern California Cities Self Insurance Fund (Continued)**

*Banking Layer* - The banking layer is the members' deductible portion of each claim. As part of its services to members, a portion of their contributions is used to pay their deductibles. If a member's balance is insufficient, the Authority advances the necessary amount and bills the member in the following year. Excess balances may likewise be used to offset subsequent year contributions. The following is a summary of financial information of the Authority as of and for the year ended June 30, 2016:

Total Assets (Primary Investments)	\$ 54,079,628
Deferred Outflow of Resources	\$ -
Total Liability	\$ 40,080,071
Deferred Inflows of Resources	\$ -
Net Position	\$ 13,999,557
Total Revenues	\$ 18,528,917
Total Expenses	\$ 13,909,485
Net Income (Loss)	\$ 4,619,432

**Public Agency Risk Sharing Authority of California**

Public Agency Risk Sharing Authority of California (PARSAC) is a joint powers authority created by certain California Cities and special districts to provide claims processing administrative services, risk management services and actuarial studies for PARSAC as a whole.

The General Liability program, a shared risk pool, total coverage of \$35 million. The first one million dollar layer, in excess of the City's \$50,000 retention, per occurrence is covered by PARSAC. The second layer of four million dollars is insured by the California State Association of Counties (CSAC-EIA). The third layer of five million dollars is covered by Great American Insurance. The fourth layer of five million dollars is covered by Wesco Insurance Company. The fifth layer of ten million dollars is covered by Evanston Insurance/Argonaut Insurance. The sixth layer of ten million dollars is covered by Brit Global & Great American. The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience.

The following is a summary of audited financial information of PARSAC as of and for the year ended June 30, 2016:

Total Assets (Primary Investments)	\$ 40,524,407
Deferred Outflow of Resources	\$ 964,632
Total Liability	\$ 20,016,074
Deferred Inflows of Resources	\$ 250,880
Net Position	\$ 21,222,085
Total Revenues	\$ 12,603,586
Total Expenses	\$ 11,177,525
Net Income (Loss)	\$ 1,426,061

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 12 – City Agreements with Certain Other Governmental Units**

**El Dorado County Fire Protection District**

The City entered into an agreement with the El Dorado County Fire Protection District (District) under which the District will provide fire protection and emergency medical services for the City. These services had been previously provided by the City Fire Department in the early 1990s.

The District is governed by its own Board of Directors and is not governed by the cities that are serviced by it. All City Fire Department personnel, vehicles and equipment have been transferred to the District.

Effective with Fiscal Year 1993/1994 and all future years, the City's obligation for fire protection and emergency medical services shall be satisfied by District's receipt of the City's property tax revenue, even if such amount is reduced by future shifts to the State of California.

For the year ended June 30, 2016, City property tax revenue assigned to the District amounted to approximately \$1,540,196.

**El Dorado County Transit Authority**

El Dorado County Transit Authority was formed in November, 1993, as a joint powers authority to own, operate, and/or maintain a public transit system.

**El Dorado County Transportation Commission**

El Dorado County Transportation Commission is a joint powers agency formed, in April 1995, for the purpose of engaging in regional transportation planning and the allocation of funds for transportation purposes.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 13 – Contingencies**

**A. Legal Actions**

There are various claims and legal actions pending against the City for which no provision has been made in the accompanying general purpose financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not have an adverse material effect on the financial position of the City. The City is self-insured and participates in public entity risk pools (See Note 11).

**B. Federal Grants**

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

**C. Proposition 62**

On September 28, 1995, the California Supreme Court reversed a Court of Appeals decision which reinstated provisions of Proposition 62 which was a 1986 voter initiative that required all general taxes to be approved by simple majority vote of the electorate. The Supreme Court provided very little detail on a number of important issues surrounding their decision, including, the effective date of the decision, whether the decision would be retroactive, and whether existing taxes would have to be put to a vote for them to remain valid. The decision will have minimal impact on the City's existing general tax structure.

**D. Proposition 218**

On November 5, 1996, Proposition 218 was approved by the voters. Proposition 218 is a constitutional amendment which addresses both taxes and assessments imposed, extended or increased without voter approval on or after January 1, 1995. Its effect on existing assessments is minimal. The constitutional amendment requires special districts and local governments, like the City of Placerville, to issue notices to affected ratepayers whenever property related charges and/or rates, such as sewer and water user rates, are proposed by the governing body. The said notices must be distributed to affected ratepayers at least forty-five days prior to adoption. If the City Council receives written protests that exceed 50% of the affected ratepayers, the proposed changes in charges and/or rates is negated.

**Note 14 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds**

Placerville Public Financing Authority (Authority) is a legal joint powers entity created by the City. The Authority's Board of Directors is comprised of the City's Council Members, City Manager and Finance Director, and all accounting and administrative functions are performed by the City. Neither the City nor the Authority have any obligation to advance its own funds toward payments to bondholders, other than the City's obligation to make payments on its sewer revenue bonds and an installment purchase agreement and to pay over assessment payments received from property owners as discussed below and the Authority's obligation to make payments from funds received from the City. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts held by the Trustee, are the sole security for payment to bondholders, other than payments on the City's sewer revenue bonds and an installment purchase agreement. In the event of delinquency in payment of assessment or supplemental assessments, the City is responsible for foreclosure and auction proceedings on assessed property.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 14 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds (Continued)**

**Limited Obligation Assessment Bonds and Revenue Bonds**

In 1992, the City issued Limited Obligation Assessment bonds for its Assessment Districts 92-1 and 92-2, and then subsequently issued Limited Obligation Supplemental Assessment Bonds for Assessment District 92-1. In 1994, the City issued Limited Obligation Assessment Bonds for its Assessment Districts 94-1 and 94-2, and City Sewer Revenue Bonds. For the purpose of this discussion, the term “Limited Obligation Assessment Bonds” refers to all Assessment Bonds including the Supplemental issue.

The Authority issued its Revenue Bonds of 1992, Series A (Series A Bonds) and its Revenue Bonds of 1992, Series C (Series C Bonds) to purchase the City’s 1992 Limited Obligation Assessment Bonds and Supplemental Limited Obligation Assessment Bonds. The Authority issued its Revenue Bonds of 1994 (Series 1994 Bonds) to purchase the City’s 1994 Limited Obligation Assessment Bonds and Sewer Revenue Bonds.

The City issued Limited Obligation Assessment Bonds on behalf of improvement districts created to benefit property owners for a specific purpose, such as to finance local street, water and sewer improvements. Property owners in the designated districts were assessed amounts sufficient to cover the principal and interest costs of repaying the bonds. Annually, assessment installments are levied and placed on the County of El Dorado Property Tax Rolls. The Authority applied proceeds of the sale of its Series A and Series C Revenue Bonds to the purchase of the City’s Assessment Bonds, which were then pledged as security for its Revenue Bonds. The City also issued Sewer Revenue Bonds for improvements related to its wastewater treatment plant, and to refund earlier bonds issued to finance such improvements. The Authority also applied proceeds of the sale of its Series 1994 Revenue Bonds to the purchase. The City has not defaulted on payment of the Sewer Revenue Bonds.

The following table summarizes the City’s Limited Obligation Assessment bonds, Limited Obligation Supplemental Assessment bonds, revenue obligations payable from revenues of the City’s Wastewater System as issued:

Bond Issue – Date	Aggregate Amount Issued	Authority Revenue Bonds Issued
AD 1992-1, March 1992	\$5,247,500	Series A - \$7,700,000
AD 1992-2, March 1992	\$1,533,202	
AD 1992-1, June 1992	\$2,785,000	Series C - \$3,185,000
AD 1994-1, June 1994 <sup>1</sup>	\$2,660,000	Series 1994 - \$13,070,000 <sup>1</sup>
AD 1994-2, June 1994 <sup>1</sup>	\$4,855,000	
Sewer Revenue Bonds <sup>1</sup>	\$4,255,000	
Installment Purchase Agreement <sup>2</sup>	\$17,215,000	Series 2006 - \$17,215,000 <sup>2</sup>

<sup>1</sup> Paid in full.

<sup>2</sup> Issued in 2006. Not in default.

The City is responsible for collecting the assessments levied against the property within the improvement districts and for disbursing these amounts to the Trustee, Union Bank, N.A., who further disburses the funds to ultimately retire the Authority’s Revenue Bonds.

**Defaults**

In March, 1998, the Authority defaulted on the regularly scheduled interest payment due on its Revenue Bonds of 1992, Series C (Series C Bonds). The Authority’s default was the result of the City of Placerville’s default on Limited Obligation Supplemental Assessment Bonds issued and secured by supplemental assessment liens on real property within the City’s Assessment District 92-1 (AD 92-1). The City’s default was the result of the nonpayment of supplemental assessments by owners of property within AD 92-1.

**CITY OF PLACERVILLE**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds (Continued)**

**Defaults (Continued)**

In September, 2003, the Authority defaulted on the regularly scheduled interest payment due on its Series A Bonds. The Authority's default was the result of the City of Placerville's defaults over several years on Limited Obligation Assessment Bonds issued and secured by assessment liens on real property within the City's Assessment District 92-1 (AD 92-1) and assessment liens on real property within the City's Assessment District 92-2 (AD 92-2). The City's defaults were the result of the nonpayment of assessments by owners of property within AD 92-1 and AD 92-2.

Series 1994 Revenue bond technical defaults, or drawdowns of reserve funds, also occurred as a result of nonpayment of assessments by owners of property within the City's Assessment District 94-1. Due to property owners' continued nonpayment of assessments and supplemental assessments, the City defaulted on the required cash flows for the payment of the City's Limited Obligation Original and Supplemental Assessment Bonds. When property owners fail to pay their assessments, the Assessment Bonds are not being paid and therefore there are no, or insufficient, cash flows to pay the Authority's Revenue Bonds (other than funds held by the Trustee). As necessary, the Revenue Bond Reserve Fund is drawn down to pay the bondholders until the Fund is depleted.

The Revenue Bond Reserve Funds were drawn down to pay the Series A and Series C Bonds. The Reserve Funds for the Series A and Series C bonds have been completely depleted. These Revenue Bonds and the assessment bonds sharing them are in default. After the reserve funds were depleted, scheduled principal and interest payments for the Authority's Series A and C Bonds were not paid.

Since the default on the Series A Bonds and the Series C Bonds, the City has collected some delinquent assessments and some delinquent supplemental assessments resulting from the sale of certain properties within the districts, including some sold at County tax sales. The amounts collected have been disbursed to the Trustee for further disbursement to the bondholders or are held by the City for payment to the Trustee.

While the City does not have an obligation to advance its own funds to pay the defaulted Limited Obligation Assessment Bonds, the City does have administrative responsibilities such as judicial foreclosure and sale by auction of delinquent properties. The City has obtained a judgment of foreclosure on all properties subject to default.

Although the AD 92-1 AD 92-2 bonds matured in 2012, delinquent assessments and supplemental assessments remain resulting in continued default of past principal and interest payments. The City and Authority are exploring work out options for the remaining parcels with delinquent assessments.

In a different scenario from the Series A Bonds and the Series C Bonds, through a procedure connected with a foreclosure sale, a credit bid by the City and a corresponding sale to a new developer, the AD 94-1 Bonds were paid in full. The foreclosure payments, as well as remaining funds in the Construction Fund, were transmitted to the Trustee for a partial redemption of the Series 1994 Bonds.

In addition, the owners of the parcels in the City's Assessment District 94-2 (AD 94-2) prepaid their assessments. The payments were transmitted to the Trustee for a partial redemption of Series 1994.

The remaining Series 1994 Revenue Bonds of the Authority, and City's 1994 Sewer Revenue Bonds, have been paid in full in connection with the Authority's issuance of its \$17,215,000 Revenue Bonds (Wastewater System Refinancing and Improvement Project), Series 2006, payable from installment payments by the City's Wastewater System pursuant to an installment purchase agreement.

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**REQUIRED  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Placerville**  
**Required Supplementary Information (Unaudited)**  
**Budget Comparison Schedules – General Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Property taxes	\$ 214,329	\$ 214,329	\$ 227,221	\$ 12,892
Sales tax	4,199,241	4,199,241	4,530,605	331,364
Transient occupancy taxes	170,000	170,000	186,945	16,945
Other taxes	179,500	179,500	199,602	20,102
Franchise fees	275,497	275,497	296,647	21,150
Licenses and permits	110,000	110,000	196,364	86,364
Fines and forfeitures	115,500	115,500	115,018	(482)
Use of money and property:				
Interest earnings	2,240	2,240	852	(1,388)
Rentals and concessions	47,880	47,880	64,358	16,478
Intergovernmental	829,603	829,603	866,096	36,493
Charges for services	775,245	792,645	904,762	112,117
Other revenue	893,188	893,188	577,000	(316,188)
<b>Total Revenues</b>	<u>7,812,223</u>	<u>7,829,623</u>	<u>8,165,470</u>	<u>335,847</u>
<b>Expenditures:</b>				
General government	2,489,633	2,489,633	2,445,747	43,886
Public safety	2,706,052	2,706,052	2,721,398	(15,346)
Highways and streets	540,898	540,898	600,636	(59,738)
Community development	528,132	528,132	552,150	(24,018)
Parks and recreation	1,844,912	1,861,524	1,766,160	95,364
<b>Total Expenditures</b>	<u>8,109,627</u>	<u>8,126,239</u>	<u>8,086,091</u>	<u>40,148</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(297,404)</u>	<u>(296,616)</u>	<u>79,379</u>	<u>375,995</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	308,817	308,817	233,817	(75,000)
Transfers out	(102,124)	(102,124)	(104,879)	(2,755)
<b>Total Other Financing Sources (Uses)</b>	<u>206,693</u>	<u>206,693</u>	<u>128,938</u>	<u>(77,755)</u>
<b>Change in Fund Balance</b>	<u>\$ (90,711)</u>	<u>\$ (89,923)</u>	<u>208,317</u>	<u>\$ 298,240</u>
<b>Fund Balance:</b>				
Beginning of year			<u>1,949,646</u>	
End of year			<u>\$ 2,157,963</u>	

**City of Placerville**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budget Comparison Schedules – Transportation Development Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,500,000	2,427,851	(72,149)
<b>Total Revenues</b>	<u>-</u>	<u>2,500,000</u>	<u>2,427,851</u>	<u>(72,149)</u>
<b>Expenditures:</b>				
Highways and streets	-	2,593,000	2,493,578	99,422
<b>Total Expenditures</b>	<u>-</u>	<u>2,593,000</u>	<u>2,493,578</u>	<u>99,422</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(93,000)</u>	<u>(65,727)</u>	<u>27,273</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, net	-	93,000	92,206	794
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>93,000</u>	<u>92,206</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>26,479</u>	<u>\$ 27,273</u>
<b>Fund Balance:</b>				
Beginning of year			<u>24,845</u>	
End of year			<u>\$ 51,324</u>	

**City of Placerville**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budget Comparison Schedules – Measure J Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Sales tax	\$ 1,019,502	\$ 941,231	\$ 929,253	(11,978)
Use of money and property:				
Interest earnings	520	520	777	257
<b>Total Revenues</b>	<u>1,020,022</u>	<u>941,751</u>	<u>930,030</u>	<u>(11,721)</u>
<b>Expenditures:</b>				
General government	10,314	9,412	9,293	119
Public safety	941,846	942,867	955,197	(12,330)
<b>Total Expenditures</b>	<u>952,160</u>	<u>952,279</u>	<u>964,490</u>	<u>(12,211)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>67,862</u>	<u>(10,528)</u>	<u>(34,460)</u>	<u>(23,932)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, net	(77,131)	(77,131)	-	77,131
<b>Total Other Financing Sources (Uses)</b>	<u>(77,131)</u>	<u>(77,131)</u>	<u>-</u>	<u>77,131</u>
<b>Change in Fund Balance</b>	<u>\$ (9,269)</u>	<u>\$ (87,659)</u>	<u>(34,460)</u>	<u>\$ 53,199</u>
<b>Fund Balance:</b>				
Beginning of year			<u>404,726</u>	
End of year			<u>\$ 370,266</u>	

**CITY OF PLACERVILLE**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2016**

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The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted by the City Council in June of each year for all funds. The resolution sets a combined appropriation of the funds for the operation of the City.
2. The City Manager is authorized to transfer budgeted amounts between departments and line items to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds and transfers between funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds.
4. Budgets for the governmental fund types are adopted and recorded on the modified basis of accounting on a basis consistent with generally accepted accounting principles (GAAP). Budget appropriations lapse at the end of the fiscal year. Supplemental appropriations were adopted by the City Council and have been included in the statements of revenues, expenditures, and changes in fund balance – budget to actual. Budgets are also prepared for proprietary fund types, which include debt service principal payments, capital outlay, but do not include depreciation.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2016, proceeds of taxes did not exceed allowable appropriations.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General and all Major funds present comparisons of the legally-adopted budget with actual data on a basis consistent with generally accepted accounting principles.

**CITY OF PLACERVILLE**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans**

Measurement Period	<u>June 30, 2015<sup>1</sup></u>	<u>June 30, 2014<sup>1</sup></u>
City's Proportion of the Net Pension Liability	0.32009%	0.26224%
City's Proportionate Share of the net Pension Liability	\$ 8,781,468	\$ 7,270,669
City's Covered-Employee Payroll	<u>\$ 3,269,960</u>	<u>\$ 3,174,719</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>268.55%</u>	<u>229.02%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>68.11%</u>	<u>73.37%</u>

**California Public Employees' Retirement System ("CalPERS") Safety Plans**

Measurement Period	<u>June 30, 2015<sup>1</sup></u>	<u>June 30, 2014<sup>1</sup></u>
City's Proportion of the Net Pension Liability	0.12183%	0.11316%
City's Proportionate Share of the net Pension Liability	\$ 5,019,871	\$ 4,440,588
City's Covered-Employee Payroll	<u>\$ 1,184,404</u>	<u>\$ 1,149,907</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>423.83%</u>	<u>386.17%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.49%</u>	<u>75.85%</u>

\* -Ten year historical information is not available, therefore only two years are shown.

**CITY OF PLACERVILLE**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions**  
**As of June 30, for the Last Ten Fiscal Years\***

	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
<b>California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans</b>			
Actuarially Determined Contribution <sup>2</sup>	\$ 758,296	\$ 563,533	\$ 588,875
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(758,296)	(563,533)	(588,875)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 3,368,059	\$ 3,269,960	\$ 3,174,719
Contributions as a Percentage of Covered-Employee Payroll	22.51%	17.23%	18.55%
<b>California Public Employees' Retirement System ("CalPERS") Safety Plans</b>			
Actuarially Determined Contribution <sup>2</sup>	\$ 457,324	\$ 332,478	\$ 319,107
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(457,324)	(332,478)	(319,107)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 1,219,936	\$ 1,184,404	\$ 1,149,907
Contributions as a Percentage of Covered-Employee Payroll	37.49%	28.07%	27.75%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year (\$437,864) was assumed to increase by the 3.00% payroll growth assumption.

**Notes to Schedule**

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* -Ten year historical information is not available, therefore only three years are shown.

**CITY OF PLACERVILLE**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress of the Other Postemployment Healthcare Plan**  
**For the Year Ended June 30, 2016**

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The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
7/1/2009	\$ -	\$ 2,179,162	\$ 2,179,162	0%	\$ 5,216,335	41.78%
7/1/2012	-	2,472,921	2,472,921	0%	4,910,289	50.36%
7/1/2015	-	2,947,972	2,947,972	0%	5,980,354	49.29%

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**SUPPLEMENTARY  
INFORMATION**

**CITY OF PLACERVILLE**  
**Combining Balance Sheet**  
**Non-Major Funds**  
**June 30, 2016**

	Special Revenue Funds			
	Gas Tax	Development Impact	Parking District	Grants
<b>Assets:</b>				
Cash and investments	\$ 145,515	\$ 171,189	\$ 42,448	\$ 81,938
Restricted:				
Cash held by fiscal agents	-	-	-	-
Receivables:				
Accounts	-	934,763	23,979	-
Interest	196	252	5	60
Loans	-	-	-	860,585
Grants	-	-	-	461,431
<b>Total Assets</b>	<b>\$ 145,711</b>	<b>\$ 1,106,204</b>	<b>\$ 66,432</b>	<b>\$ 1,404,014</b>
<b>Liabilities:</b>				
Accounts payable	\$ 29,996	\$ 491,431	\$ 2,891	\$ 75
Deposits	-	-	2,260	-
Due to other funds	-	-	-	10,546
Advances from other funds	-	-	308,841	-
<b>Total Liabilities</b>	<b>29,996</b>	<b>491,431</b>	<b>313,992</b>	<b>10,621</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	1,100,023
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100,023</b>
<b>Fund Balances (Deficit):</b>				
Nonspendable	-	-	-	-
Restricted	115,715	614,773	-	293,370
Committed	-	-	-	-
Unassigned (Deficit)	-	-	(247,560)	-
<b>Total Fund Balances (Deficit)</b>	<b>115,715</b>	<b>614,773</b>	<b>(247,560)</b>	<b>293,370</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	<b>\$ 145,711</b>	<b>\$ 1,106,204</b>	<b>\$ 66,432</b>	<b>\$ 1,404,014</b>

**CITY OF PLACERVILLE**  
**Combining Balance Sheet (Continued)**  
**Non-Major Funds**  
**June 30, 2016**

	Special Revenue Funds			Total
	BAD, CFD, & LLMD	Capital Projects	Park Development	
<b>Assets:</b>				
Cash and investments	\$ 142,990	\$ 42,472	\$ 8,352	\$ 634,904
Restricted:				
Cash held by fiscal agents	-	101,649	-	101,649
Receivables:				
Accounts	5,618	-	-	964,360
Interest	97	28	49	687
Loans	-	-	-	860,585
Grants	-	-	96,073	557,504
<b>Total Assets</b>	<b>\$ 148,705</b>	<b>\$ 144,149</b>	<b>\$ 104,474</b>	<b>\$ 3,119,689</b>
<b>Liabilities:</b>				
Accounts payable	\$ 3,918	\$ 14,620	\$ -	\$ 542,931
Deposits	-	-	-	2,260
Due to other funds	-	56,717	-	67,263
Advances from other funds	-	50,000	62,086	420,927
<b>Total Liabilities</b>	<b>3,918</b>	<b>121,337</b>	<b>62,086</b>	<b>1,033,381</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	1,100,023
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100,023</b>
<b>Fund Balances (Deficit):</b>				
Nonspendable	-	-	-	-
Restricted	144,787	-	42,388	1,211,033
Committed	-	22,812	-	22,812
Unassigned (Deficit)	-	-	-	(247,560)
<b>Total Fund Balances (Deficit)</b>	<b>144,787</b>	<b>22,812</b>	<b>42,388</b>	<b>986,285</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	<b>\$ 148,705</b>	<b>\$ 144,149</b>	<b>\$ 104,474</b>	<b>\$ 3,119,689</b>

**CITY OF PLACERVILLE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds			
	Gas Tax	Development Impact	Parking District	Grants
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 649	\$ 585	\$ -	\$ 8,928
Intergovernmental	255,781	-	-	222,203
Charges for services	-	356,873	137,498	-
Grant revenue	-	937,923	-	217,614
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>256,430</b>	<b>1,295,381</b>	<b>137,498</b>	<b>448,745</b>
<b>Expenditures:</b>				
General government	-	-	-	14,275
Public safety	-	-	-	358,988
Highways and streets	29,997	937,860	133,359	92,572
Parks and recreation	-	-	-	-
<b>Total Expenditures</b>	<b>29,997</b>	<b>937,860</b>	<b>133,359</b>	<b>465,835</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>226,433</b>	<b>357,521</b>	<b>4,139</b>	<b>(17,090)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	25,000	-
Transfers out	(263,126)	(20,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(263,126)</b>	<b>(20,000)</b>	<b>25,000</b>	<b>-</b>
<b>Changes in Fund Balances</b>	<b>(36,693)</b>	<b>337,521</b>	<b>29,139</b>	<b>(17,090)</b>
<b>Fund Balances (Deficit):</b>				
Beginning of year	152,408	277,252	(276,699)	310,460
End of year	<b>\$ 115,715</b>	<b>\$ 614,773</b>	<b>\$ (247,560)</b>	<b>\$ 293,370</b>

**CITY OF PLACERVILLE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Non-Major Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds			Total
	BAD, CFD, & LLMD	Capital Projects	Park Development	
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 319	\$ 122	\$ -	\$ 10,603
Intergovernmental	-	17,500	-	495,484
Charges for services	65,324	-	33,000	592,695
Grant revenue	-	-	-	1,155,537
Other revenue	-	-	386	386
<b>Total Revenues</b>	<b>65,643</b>	<b>17,622</b>	<b>33,386</b>	<b>2,254,705</b>
<b>Expenditures:</b>				
General government	-	24,764	-	39,039
Public safety	-	-	-	358,988
Highways and streets	7,706	-	-	1,201,494
Parks and recreation	38,513	29,014	17,975	85,502
<b>Total Expenditures</b>	<b>46,219</b>	<b>53,778</b>	<b>17,975</b>	<b>1,685,023</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>19,424</b>	<b>(36,156)</b>	<b>15,411</b>	<b>569,682</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	2,755	4,511	32,266
Transfers out	-	(47,408)	-	(330,534)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(44,653)</b>	<b>4,511</b>	<b>(298,268)</b>
<b>Changes in Fund Balances</b>	<b>19,424</b>	<b>(80,809)</b>	<b>19,922</b>	<b>271,414</b>
<b>Fund Balances (Deficit):</b>				
Beginning of year	125,363	103,621	22,466	714,871
End of year	<u>\$ 144,787</u>	<u>\$ 22,812</u>	<u>\$ 42,388</u>	<u>\$ 986,285</u>

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Gas Tax Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 260	\$ 260	\$ 649	\$ 389
Intergovernmental	233,817	243,436	255,781	12,345
<b>Total Revenues</b>	<u>234,077</u>	<u>243,696</u>	<u>256,430</u>	<u>12,734</u>
<b>Expenditures:</b>				
Highways and streets	30,000	30,000	29,997	3
<b>Total Expenditures</b>	<u>30,000</u>	<u>30,000</u>	<u>29,997</u>	<u>3</u>
<b>Revenues Over (Under) Expenditures</b>	<u>204,077</u>	<u>213,696</u>	<u>226,433</u>	<u>12,737</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(233,817)	(263,000)	(263,126)	(126)
<b>Total Other Financing Sources (Uses)</b>	<u>(233,817)</u>	<u>(263,000)</u>	<u>(263,126)</u>	<u>(126)</u>
<b>Change in Fund Balance</b>	<u>\$ (29,740)</u>	<u>\$ (49,304)</u>	<u>(36,693)</u>	<u>\$ 12,611</u>
<b>Fund Balance:</b>				
Beginning of year			<u>152,408</u>	
End of year			<u>\$ 115,715</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Development Impact Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 400	\$ 600	\$ 585	\$ (15)
Charges for services	270,864	360,000	356,873	(3,127)
Grant revenue	-	938,000	937,923	(77)
<b>Total Revenues</b>	<u>271,264</u>	<u>1,298,600</u>	<u>1,295,381</u>	<u>(3,219)</u>
<b>Expenditures:</b>				
Highways and streets	-	940,000	937,860	2,140
<b>Total Expenditures</b>	<u>-</u>	<u>940,000</u>	<u>937,860</u>	<u>2,140</u>
<b>Revenues Over (Under) Expenditures</b>	<u>271,264</u>	<u>358,600</u>	<u>357,521</u>	<u>(1,079)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ 271,264</u>	<u>\$ 338,600</u>	<u>337,521</u>	<u>\$ (1,079)</u>
<b>Fund Balance:</b>				
Beginning of year			<u>277,252</u>	
End of year			<u>\$ 614,773</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Parking District Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Charges for services	\$ 127,842	\$ 138,080	\$ 137,498	\$ (582)
<b>Total Revenues</b>	<u>127,842</u>	<u>138,080</u>	<u>137,498</u>	<u>(582)</u>
<b>Expenditures:</b>				
Highways and streets	152,842	151,098	133,359	17,739
<b>Total Expenditures</b>	<u>152,842</u>	<u>151,098</u>	<u>133,359</u>	<u>17,739</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(25,000)</u>	<u>(13,018)</u>	<u>4,139</u>	<u>17,157</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	25,000	25,000	25,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 11,982</u>	<u>29,139</u>	<u>\$ 17,157</u>
<b>Fund Balance:</b>				
Beginning of year			<u>(276,699)</u>	
End of year			<u>\$ (247,560)</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Grants Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ -	\$ 8,928	\$ 8,928	\$ -
Intergovernmental	230,894	225,357	222,203	(3,154)
Grant revenue	115,282	216,502	217,614	1,112
<b>Total Revenues</b>	<u>346,176</u>	<u>450,787</u>	<u>448,745</u>	<u>(2,042)</u>
<b>Expenditures:</b>				
General government	-	14,000	14,275	(275)
Public safety	340,143	360,000	358,988	1,012
Highways and streets	-	93,000	92,572	428
<b>Total Expenditures</b>	<u>340,143</u>	<u>467,000</u>	<u>465,835</u>	<u>1,165</u>
<b>Revenues Over (Under) Expenditures</b>	<u>6,033</u>	<u>(16,213)</u>	<u>(17,090)</u>	<u>(877)</u>
<b>Change in Fund Balance</b>	<u>\$ 6,033</u>	<u>\$ (16,213)</u>	<u>(17,090)</u>	<u>\$ (877)</u>
<b>Fund Balance:</b>				
Beginning of year			<u>310,460</u>	
End of year			<u>\$ 293,370</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-BAD, CFD, & LLMD Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ -	\$ 300	\$ 319	\$ 19
Charges for services	69,545	65,000	65,324	324
<b>Total Revenues</b>	<u>69,545</u>	<u>65,300</u>	<u>65,643</u>	<u>343</u>
<b>Expenditures:</b>				
Highways and streets	34,670	7,500	7,706	(206)
Parks and recreation	34,875	38,000	38,513	(513)
<b>Total Expenditures</b>	<u>69,545</u>	<u>45,500</u>	<u>46,219</u>	<u>(719)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>19,800</u>	<u>19,424</u>	<u>(376)</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 19,800</u>	19,424	<u>\$ (376)</u>
<b>Fund Balance:</b>				
Beginning of year			<u>125,363</u>	
End of year			<u>\$ 144,787</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Capital Projects Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Interest earnings	\$ -	\$ 100	\$ 122	\$ 22
Intergovernmental	-	17,500	17,500	-
<b>Total Revenues</b>	<u>-</u>	<u>17,600</u>	<u>17,622</u>	<u>22</u>
<b>Expenditures:</b>				
General government	-	25,000	24,764	236
Parks and recreation	-	29,000	29,014	(14)
<b>Total Expenditures</b>	<u>-</u>	<u>54,000</u>	<u>53,778</u>	<u>222</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(36,400)</u>	<u>(36,156)</u>	<u>244</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	12,064	2,755	(9,309)
Transfers out	-	(57,000)	(47,408)	9,592
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(44,936)</u>	<u>(44,653)</u>	<u>283</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (81,336)</u>	<u>(80,809)</u>	<u>\$ 527</u>
<b>Fund Balance:</b>				
Beginning of year			<u>103,621</u>	
End of year			<u>\$ 22,812</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget Comparison Schedules-Park Development Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Charges for services	\$ 25,080	\$ 33,000	\$ 33,000	\$ -
Other revenue	-	400	386	(14)
<b>Total Revenues</b>	<u>25,080</u>	<u>33,400</u>	<u>33,386</u>	<u>(14)</u>
<b>Expenditures:</b>				
Parks and recreation	-	18,000	17,975	25
<b>Total Expenditures</b>	<u>-</u>	<u>18,000</u>	<u>17,975</u>	<u>25</u>
<b>Revenues Over (Under) Expenditures</b>	<u>25,080</u>	<u>15,400</u>	<u>15,411</u>	<u>11</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	4,500	4,511	11
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>4,500</u>	<u>4,511</u>	<u>11</u>
<b>Change in Fund Balance</b>	<u>\$ 25,080</u>	<u>\$ 19,900</u>	<u>19,922</u>	<u>\$ 22</u>
<b>Fund Balance:</b>				
Beginning of year			<u>22,466</u>	
End of year			<u>\$ 42,388</u>	