

# City of Placerville

Placerville, California

*Basic Financial Statements, Supplemental  
Information and Independent Auditors' Report*

*For the year ended June 30, 2006*



# CITY OF PLACERVILLE

## Table of Contents For the Year Ended June 30, 2006

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis (Required Supplementary Information)</b> .....	3
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets .....	15
Statement of Activities and Changes in Net Assets .....	16
<i>Funds Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	20
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets .....	23
Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds .....	24
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 Assets .....	26
Statement of Net Assets – All Proprietary Funds .....	27
Statement of Revenues, Expenses and Changes in Net Assets – All Proprietary Funds .....	28
Statement of Cash Flows – All Proprietary Funds .....	29
Statement of Net Assets – Fiduciary Funds .....	30
<i>Notes to Basic Financial Statements</i> .....	31
<i>Required Supplementary Information:</i>	
Budgetary Control and Accounting .....	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund .....	59
Transportation Development Fund .....	60
Park Development Fund .....	61
Grants Fund .....	62
Measure J Fund .....	63
<b>Supplementary Information:</b>	
Combining Balance Sheet – Non-Major Governmental Funds .....	66
Statement of Revenues, Expenses and Changes in Fund Balances – Non-Major Funds .....	67



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Placerville, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinions, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

As described in Notes 1 and 4, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has elected to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2002-2003. As set forth in GASB Statement No. 34, the City at its option may record and report these major general infrastructure assets which is planned for fiscal year 2006-2007.

As discussed in Note 13 to the basic financial statements, the Placerville Public Finance Authority has defaulted on certain Revenue Bonds. The City has defaulted on certain assessment bonds issued on behalf of Improvement Districts created 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 accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**

180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**

9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**

777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**

4858 Mercury, Suite 106  
San Diego, California 92111

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Capricci & Carson*

Oakland, California  
December 29, 2006

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. 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 assets at the end of the year were \$42.23M, an increase of \$1.15M. The portion of the City's net assets that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled \$1.15M or 2.72%.
- The governmental net assets increased by \$1.69M or 5.90% and the business-type net assets decreased by \$0.55M or 4.42%.
- Program revenues from governmental activities increased \$0.44M or 10.39%. Program revenues from business-type activities increased by \$0.51M or 17.27%. General revenues, net of transfers, increased \$0.16M or 2.44%.

## City Highlights

- Issued \$17.22M in Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds to refinance the Series 1994 Sewer Revenue Refunding and Phase II Improvement Bonds at a preferable interest rate, supplement the cost of the State mandated improvements needed to the City's Wastewater Treatment Plant, relocate and replace the sewer line along Hangtown Creek, and construct other wastewater related capital projects.
- Began construction of the State mandated improvements to the City's Wastewater Treatment Plant, \$5.44M.
- Initiated construction for the relocation and replacement of the sewer line along Hangtown Creek, \$1.14M.
- Completed construction of the new Aquatics Center, located at 3071 Benham Street, including a six-lane competitive swimming pool, kiddy pool, restrooms, showers, wading pool, and water slide, \$0.48M.
- Finished renovation of the new City Hall facility, located at 3101 Center Street, including tenant improvements on the first, second, and third floors, and new exterior painting, brick façade, and sidewalks, \$1.34M.
- Completed design phase and began construction of the Upper Main Street Rehabilitation project which includes the repavement of approximately 3,000 feet of Main Street from Bedford to Broadway, and the replacement of certain water lines, sewer lines, storm drains, and sidewalks, \$0.49M.
- Completed the majority of construction for the El Dorado Trail Extension project, from Mosquito Road to Clay Street, \$0.28M.
- Secured \$0.20M HUD Grant for construction of a new public restroom and sewer line at the Gold Bug Park.
- Completed preliminary engineering and environmental documents for the Western Placerville Drive Interchange project, \$0.13M.

## 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 assets* and *statement of activities and changes in net assets*. The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 five 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, the Parks Development Fund, the Grants Fund, Capital Projects Fund, and Measure J Fund. Data from the other five 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 treatment 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 internal service funds to account for its equipment operations and maintenance, stores inventory, and 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* concerning the City’s progress in funding its obligation to provide pension benefits to its employees, as well as providing a budgetary comparison schedule for the General Fund. Additional budgetary schedules for the General Fund and the combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

## Government-Wide Statements

### Statement of Net Assets:

The City’s net assets at the end of the year were \$42.23M, an increase of \$1.15M. The governmental net assets increased by \$1.69M or 5.90% and the business-type net assets decreased by \$0.55M or 4.42%. The increase in governmental net assets is primarily due to a \$2.26M increase in capital assets. The City and its contractors completed three major capital projects as of June 30, 2006. Please see the “Capital Assets” section below for more details.

**Net Assets**  
**June 30, 2006**  
*(amounts expressed in thousands)*

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 04/05	FY 05/06	FY 04/05	FY 05/06	FY 04/05	FY 05/06
Current assets	\$ 6,540	\$ 4,131	\$ (505)	\$ 856	\$ 6,035	\$ 4,987
Restricted Assets	5,201	6,742	616	7,661	5,817	14,403
Capital assets	22,001	24,255	18,906	25,390	40,907	49,645
Total assets	33,742	35,128	19,017	33,907	52,759	69,035
Current liabilities	1,393	961	497	1,892	1,890	2,853
Noncurrent liabilities	3,660	3,784	6,124	20,167	9,784	23,951
Total liabilities	5,053	4,745	6,621	22,059	11,674	26,804
<b>Net assets:</b>						
Invested in capital assets, net of related debt	20,716	22,951	12,465	5,030	33,181	27,981
Restricted	4,007	5,439	617	7,661	4,624	13,100
Unrestricted	3,966	1,993	(686)	(843)	3,280	1,150
Total net assets	\$ 28,689	\$ 30,383	\$ 12,396	\$ 11,848	\$ 41,085	\$ 42,231

### Statement of Activities and Changes of Net Assets

Program revenues from governmental activities increased \$0.44M or 10.390%. This increase is primarily due to a \$1.05M overall increase in charges for services. General revenues, net of transfers, increased \$0.16M or 2.44%. This net increase is primarily due to an expected \$0.63M or 14.32% boost in local sales tax. Program revenues from business-type activities increased by \$0.51M or 17.27%.

Business-type expenditures exceeded revenues by \$.79M. The shortfall was due to \$0.69M in depreciation expense, a non-cash type of expense, and unmet revenue requirements for the Water Enterprise Fund. The City is in the process of raising it’s water rates and implementing a new Water Enterprise capital replacement program.

Water Enterprise Fund expenditures exceeded revenues by \$0.26M which was due to \$0.20M in depreciation expense, rising operating costs, and unmet revenue requirements. The City's water rates have not been increased since 1994. City management and its consultants have completed a water rate study and will recommend a rate increase to the City Council in the summer of 2006. Sewer Enterprise Fund expenditures exceeded revenues by \$0.84M due to \$0.50M in depreciation expenses and rising operating costs. Until Fiscal Year 2005/2006, the City's wastewater rates had not been increased since 1997. To resolve the immediate operating and capital needs of the Sewer Enterprise Fund, the City Council adopted new wastewater rates based on an extensive rate/equity study performed by Economic & Planning Systems, Inc. (EPS). The new wastewater rates became effective October 16, 2005.

**Condensed Statement of Activities and Changes in Net Assets**  
**June 30, 2006**

*(amounts expressed in thousands)*

	<b>Net (Expense) Revenue and Changes in Net Assets</b>								
	<b>Expenses</b>		<b>Program Revenues</b>		<b>Government Activities</b>		<b>Business-type Activities</b>		
	<u>FY 04/05</u>	<u>FY 05/06</u>	<u>FY 04/05</u>	<u>FY 05/06</u>	<u>FY 04/05</u>	<u>FY 05/06</u>	<u>FY 04/05</u>	<u>FY 05/06</u>	
<i>Governmental activities</i>									
General government	\$ 2,417	\$ 2,610	\$ 176	\$ 599	\$ (2,241)	\$ (2,011)			
Public safety	3,555	3,913	607	1,059	(2,948)	(2,854)			
Highways and streets	465	974	971	1,481	506	507			
Community development	475	534	868	427	393	(107)			
Parks and recreation	1,554	1,800	1,587	1,080	33	(720)			
Total governmental activities	8,466	9,831	4,209	4,646	(4,257)	(5,185)			
<i>Business-type activities</i>									
Water	1,932	1,225	979	963			(953)	(262)	
Sewer	3,711	3,022	1,972	2,497			(1,739)	(525)	
Total business-type activities	5,643	4,247	2,951	3,460			(2,692)	(787)	
Total primary government	<u>\$ 14,109</u>	<u>\$ 14,078</u>	<u>\$ 7,160</u>	<u>\$ 8,106</u>					
					General revenues and transfers	6,715	6,879	(26)	239
					Changes in net assets	2,458	1,694	(2,718)	(548)
					<b>Net Assets:</b>				
					Beginning of year	26,231	28,689	15,114	12,396
					End of year	<u>\$ 28,689</u>	<u>\$ 30,383</u>	<u>\$ 12,396</u>	<u>\$ 11,848</u>

**Budgetary Highlights - Current Year Impacts**

- After three years of significant rate increases, the City's CalPERS (California Public Employee Retirement System) employer contributions have begun to stabilize:

<u>Fiscal Year</u>	<u>Miscellaneous Plan</u>	<u>Public Safety</u>	<u>Increased Cost</u>
2004/2005	16.24%	26.25%	\$ 252,610
2005/2006	20.82%	32.20%	\$ 235,114
2006/2007	20.68%	34.32%	\$ 24,184

- The General Fund Budget was amended to reflect the Council approved collective bargaining agreements with all employee units including a health benefits, COLA, and class and compensation study for all non-sworn positions.
- The changes and unfavorable economic conditions did not adversely impact the *General Fund Operating Reserve* (\$1.18M).

## 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 2006, the City's governmental funds reported a combined ending fund balance of \$7.46M – a decrease of \$0.43M or 5.46%.

**General Fund.** Total fund balance for the General Fund on June 30, 2006 was \$2.07M, an increase of \$0.16M from the prior year. Of the \$2.07M fund balance, \$1.18M is reserved for contingencies (Operating Reserve) as set by City financial policy and \$0.28M is reserved for equipment replacement. The \$1.46M in reserves accounts for 70.40% of the General Fund ending balance.

As a measure of the *General Fund's* liquidity, it may be useful to compare the fund balance for the Operating Reserve and the unreserved fund balance to total fund expenditures. The Operating Reserve and Unreserved fund balance represents 26.42% of total General Fund expenditures, net of transfers out.

### 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 assets decreased by \$0.55M. The decrease in net assets includes depreciation expense of \$0.69M.

In Fiscal Year 2002/2003, the City contracted with an engineering firm to complete an update to the Wastewater Master Plan and to design State mandated upgrades to the its existing Waste Water Treatment Plant. The fund also incurred expenditures related to the design for the sewer line removal and replacement necessitated by the State Department of Transportation's Highway 50 Operational Improvements.

The City's Wastewater Treatment Plant is the subject of a cease and desist order issued by the State Water Resources Control Board (SWRCB). The order requires upgrades to the City's existing facility to improve the quality of the effluent. The upgrade project has been in existence for several years. The facility's master plan, dated 1994, was updated in Fiscal Year 2002/2003 and a contract for design of the needed improvements was awarded in Fiscal Year 2003/2004. These costs were paid from the fund's retained earnings with an estimated 83.33% reimbursement from a low interest loan from the State of Revolving Loan Fund (SRF).

---

<b>WWTP Design Costs Paid</b>					
	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>Total</u>
Total Expenditures	\$ 443,921	\$ 523,609	\$1,254,333	\$ 40,571	\$2,262,434
SRF Reimbursements	\$ 369,933	\$ 436,339	\$1,045,273	\$ 33,809	\$1,885,354

---

City management and its consultants have developed rate structure changes that will increase user rates by more than 200% over the next eight years. Included in the new rates are increased costs related state-mandated changes in maintenance and operations and debt service related to state-mandated plant improvement financing. The majority of the wastewater treatment plant's antiquated equipment necessitating costly repair and maintenance will be addressed with the City's planned \$47.10M facility upgrade and improvement project that began construction in the spring of 2006.

## Capital Assets and Debt Administration

### Debt Administration

*Long Term Debt* - At the end of the current fiscal year, the City had \$22.55M in long term debt outstanding compared to \$8.55M last year, a \$14.00M or 163.79% net increase. The increase is largely attributed to the \$17.22M Series 2006 Wastewater System Refinancing and Improvement Bonds. Proceeds from the Bonds are being used to refinance the Series 1994 Sewer Revenue Refunding and Phase II Improvement Bonds and to finance the State mandated improvements to the City's Wastewater Treatment Plant, relocation and replacement of the sewer line located along Hangtown Creek, and other capital projects related to the Wastewater System. 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 2005/2006 include:

#### Governmental Activities

- New City Hall Renovation (\$0.84M)
- New Aquatics Center (\$0.48M)
- Construction in progress – Upper Main Street Rehabilitation (\$0.49M)
- Construction in progress – El Dorado Trail Extension, Mosquito Road to Clay Street (\$0.28M)
- Construction in progress – Western Placerville Drive Interchange, Preliminary Engineering and Environmental Documents (\$0.13M)

#### Governmental Capital Assets

June 30, 2006

(amounts expressed in thousands)

	Balance July 1, 2005	Additions	Transfers	Adjustments	Balance June 30, 2006
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 11,962	\$ -	\$ 219	\$ -	\$ 12,181
Construction in progress	4,943	1,233	(3,632)	-	2,544
Total nondepreciable assets	16,905	1,233	(3,413)	-	14,725
<i>Depreciable Assets:</i>					
Buildings and structures	6,566	1,323	3,399	-	11,288
Machinery and equipment	2,432	183	-	-	2,615
Infrastructure	415	-	14	-	429
Total depreciable assets	9,413	1,506	3,413	-	14,332
	26,318	2,739	-	-	29,057
Less accumulated depreciation	(4,318)	(484)	-	-	(4,802)
<b>Total governmental activities</b>	<b>\$ 22,000</b>	<b>\$ 2,255</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,255</b>

#### Business Type Activities

- New City Hall Renovation (\$0.50M)
- Construction in progress – Wastewater Treatment Plant Improvements (\$5.44M)
- Construction in progress – Sewer Line Relocation and Replacement Along Hangtown Creek (\$1.14M)

**Business-Type Capital Assets**  
**June 30, 2005**  
(amounts expressed in thousands)

	Balance July 1, 2005	Additions	Transfers	Adjustments	Balance June 30, 2006
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,197	\$ -	\$ -	\$ -	\$ 2,197
Construction in progress	4,100	6,636	(677)	-	10,059
Total nondepreciable assets	6,297	6,636	(677)	-	12,256
<i>Depreciable Assets:</i>					
Buildings and structures	16,821	498	677	-	17,996
Machinery and equipment	582	40	-	-	622
Infrastructure	43,176	1	-	-	43,177
Total depreciable assets	60,579	539	677	-	61,795
	66,876	7,175	-	-	74,051
Less accumulated depreciation	(47,970)	(691)	-	-	(48,661)
<b>Total business-type activities</b>	<b>\$ 18,906</b>	<b>\$ 6,484</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,390</b>

### Other Information

**The Placerville Public Financing Authority.** The Placerville Public Financing Authority has defaulted on certain revenue bonds. As discussed in Note 13 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.

The aggregate principal balance of the Revenue Bonds issued by the Authority outstanding at June 30, 2006, was \$2,001,316 which is not included in these accompanying basic financial statements.

### 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.

*This page intentionally left blank.*

**BASIC  
FINANCIAL STATEMENTS**

*This page intentionally left blank.*

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

*This page intentionally left blank.*

# CITY OF PLACERVILLE

## Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 2,083,307	\$ 324,584	\$ 2,407,891
Receivables:			
Accounts	1,101,387	-	1,101,387
Interest	5,707	150	5,857
Utility billings, net	-	786,954	786,954
Prepaid expenses	84,226	-	84,226
Deferred charges	-	599,850	599,850
Internal balances	855,812	(855,812)	(0)
Total current assets	<u>4,130,439</u>	<u>855,726</u>	<u>4,986,165</u>
Restricted:			
Cash and investments	3,900,484	-	3,900,484
Deposits held by fiscal agents	211,015	7,574,296	7,785,311
Receivables:			
Accounts	243,521	-	243,521
Interest	21,001	-	21,001
Prepaid expenses	-	-	-
Loans	931,280	-	931,280
Grants	429,337	87,213	516,550
Other assets	1,005,242	-	1,005,242
Total restricted assets	<u>6,741,880</u>	<u>7,661,509</u>	<u>14,403,389</u>
Capital assets:			
Nondepreciable	14,724,960	12,255,877	26,980,837
Depreciable, net	9,530,202	13,134,568	22,664,770
Total capital assets	<u>24,255,162</u>	<u>25,390,445</u>	<u>49,645,607</u>
<b>Total Assets</b>	<u>35,127,481</u>	<u>33,907,680</u>	<u>69,035,161</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	225,419	1,662,840	1,888,259
Payroll and related taxes payable	354,758	-	354,758
Deposits	2,259	36,080	38,339
Insurance premium payable	-	-	-
Current portion of compensated absences	312,138	-	312,138
Current portion of long-term debt	66,301	193,435	259,736
Total current liabilities	<u>960,875</u>	<u>1,892,355</u>	<u>2,853,230</u>
Restricted:			
Accounts payable	329,307	-	329,307
Unearned revenue	973,742	-	973,742
Total restricted liabilities	<u>1,303,049</u>	<u>-</u>	<u>1,303,049</u>
Long-term liabilities:			
Compensated absences	569,877	-	569,877
Claims payable	673,589	-	673,589
Long-term debt, net	1,237,484	20,167,078	21,404,562
Total long-term liabilities	<u>2,480,950</u>	<u>20,167,078</u>	<u>22,648,028</u>
<b>Total Liabilities</b>	<u>4,744,874</u>	<u>22,059,433</u>	<u>26,804,307</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	<u>22,951,377</u>	<u>5,029,932</u>	<u>27,981,309</u>
Restricted:			
Capital projects	2,299,257	7,661,509	9,960,766
Special projects and programs	3,139,574	-	3,139,574
Total restricted net assets	<u>5,438,831</u>	<u>7,661,509</u>	<u>13,100,340</u>
Unrestricted	1,992,399	(843,194)	1,149,205
<b>Total Net Assets</b>	<u>\$ 30,382,607</u>	<u>\$ 11,848,247</u>	<u>\$ 42,230,854</u>

*This page intentionally left blank.*

**CITY OF PLACERVILLE**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 2,610,275	\$ 598,641	\$ -	\$ -	\$ 598,641
Public safety	3,913,285	807,339	157,523	93,721	1,058,584
Highways and streets	973,893	97,625	313,705	1,070,137	1,481,467
Community development	534,054	247,678	178,994	-	426,672
Parks and recreation	1,799,524	836,802	-	243,485	1,080,287
<b>Total governmental activities</b>	<b>9,831,030</b>	<b>2,588,085</b>	<b>650,222</b>	<b>1,407,344</b>	<b>4,645,651</b>
<b>Business-type activities:</b>					
Water	1,224,701	963,022	-	-	963,022
Sewer	3,022,392	2,497,080	-	-	2,497,080
<b>Total business-type activities</b>	<b>4,247,093</b>	<b>3,460,102</b>	<b>-</b>	<b>-</b>	<b>3,460,102</b>
<b>Total primary government</b>	<b>\$ 14,078,123</b>	<b>\$ 6,048,187</b>	<b>\$ 650,222</b>	<b>\$ 1,407,344</b>	<b>\$ 8,105,753</b>

**General revenues and transfers:**

Taxes:

Property

Sales

Motor vehicle

Other

Total

Interest and investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

**Changes in net assets**

**Net Assets:**

Beginning of year

End of year

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,011,633)	\$ -	\$ (2,011,633)
(2,854,701)	-	(2,854,701)
507,573	-	507,573
(107,382)	-	(107,382)
<u>(719,237)</u>	<u>-</u>	<u>(719,237)</u>
<u>(5,185,379)</u>	<u>-</u>	<u>(5,185,379)</u>
-	(261,679)	(261,679)
<u>-</u>	<u>(525,312)</u>	<u>(525,312)</u>
<u>-</u>	<u>(786,991)</u>	<u>(786,991)</u>
<u>(5,185,379)</u>	<u>(786,991)</u>	<u>(5,972,370)</u>
92,975	-	92,975
4,998,766	-	4,998,766
762,118	-	762,118
<u>625,496</u>	<u>-</u>	<u>625,496</u>
6,479,355	-	6,479,355
230,340	122,444	352,784
169,597	116,945	286,542
<u>-</u>	<u>-</u>	<u>-</u>
<u>6,879,292</u>	<u>239,389</u>	<u>7,118,681</u>
1,693,913	(547,602)	1,146,311
28,688,694	12,395,849	41,084,543
<u>\$ 30,382,607</u>	<u>\$ 11,848,247</u>	<u>\$ 42,230,854</u>

**FUNDS  
FINANCIAL STATEMENTS**

**CITY OF PLACERVILLE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2006**

	Major Funds				
	General	Transportation Development	Park Development	Capital Projects	Grants
<b>Assets:</b>					
Cash and investments	\$ 651,888	\$ 618,756	\$ 25,842	\$ 241,870	\$ 1,143,222
Receivables:					
Accounts	1,021,607	-	-	-	-
Interest	5,707	4,666	(2,267)	1,108	4,515
Prepaid expenses	84,226	-	-	-	-
Due from other funds	705,110	-	20,043	55,294	28,000
Advances to other funds	127,869	-	-	-	-
Restricted:					
Deposits held by fiscal agents	-	-	-	211,015	-
Receivables:					
Loans	-	-	-	-	931,280
Grants	-	272,401	-	-	68,316
Other assets	-	-	-	-	1,005,242
<b>Total Assets</b>	<u>\$ 2,596,407</u>	<u>\$ 895,823</u>	<u>\$ 43,618</u>	<u>\$ 509,287</u>	<u>\$ 3,180,575</u>
<b>Liabilities:</b>					
Accounts payable	\$ 141,409	\$ 249,816	\$ 18,965	\$ 3,352	\$ 7,484
Payroll and related taxes payable	354,758	-	-	-	-
Deposits	-	-	-	-	-
Due to other funds	28,000	20,043	-	-	-
Restricted:					
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	973,742
<b>Total Liabilities</b>	<u>524,167</u>	<u>269,859</u>	<u>18,965</u>	<u>3,352</u>	<u>981,226</u>
<b>Fund Balances (Deficit):</b>					
Reserved	1,458,806	625,964	24,653	505,935	2,199,349
Unreserved	613,434	-	-	-	-
<b>Total Fund Balances</b>	<u>2,072,240</u>	<u>625,964</u>	<u>24,653</u>	<u>505,935</u>	<u>2,199,349</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,596,407</u>	<u>\$ 895,823</u>	<u>\$ 43,618</u>	<u>\$ 509,287</u>	<u>\$ 3,180,575</u>

<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ 916,392	\$ 954,402	\$ 4,552,372
56,100	187,421	1,265,128
5,037	7,942	26,708
-	-	84,226
-	-	808,447
-	-	127,869
-	-	211,015
-	-	931,280
-	88,620	429,337
-	-	1,005,242
<u>\$ 977,529</u>	<u>\$ 1,238,385</u>	<u>\$ 9,441,624</u>
\$ 925	\$ 48,765	\$ 470,716
-	-	354,758
-	2,259	2,259
-	-	48,043
-	127,869	127,869
-	-	973,742
<u>925</u>	<u>178,893</u>	<u>1,977,387</u>
976,604	1,059,492	6,850,803
-	-	613,434
<u>976,604</u>	<u>1,059,492</u>	<u>7,464,237</u>
<u>\$ 977,529</u>	<u>\$ 1,238,385</u>	<u>\$ 9,441,624</u>

*This page intentionally left blank.*

**CITY OF PLACERVILLE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2006**

**Total Fund Balances - Total Governmental Funds** \$ 7,464,237

Amounts reported for governmental activities in the Statement of Net Assets 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	14,724,960
Depreciable	14,331,767
Less accumulated depreciation	<u>(4,801,565)</u>
	<u>24,255,162</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 - (net)	(66,301)
Long-term debt - non-current portion - (net)	(1,237,484)
Compensated absences	<u>(882,015)</u>
	<u>(1,303,785)</u>

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

(64,245)

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.

913,253

**Net Assets of Governmental Activities** **\$ 30,382,607**

**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	Major				
	General	Transportation Development	Park Development	Capital Project	Grants
<b>Revenues:</b>					
Property taxes	\$ 92,975	\$ -	\$ -	\$ -	\$ -
Sales tax	4,116,168	-	-	-	-
Transient occupancy taxes	191,382	-	-	-	-
Other taxes	212,306	-	-	-	-
Franchise fees	221,808	-	-	-	-
Licenses and permits	96,102	-	-	-	-
Fines and forfeitures	502,144	-	-	-	-
Use of money and property:					
Interest earnings	19,108	9,875	(8,124)	4,961	157,058
Rentals and concessions	156,054	-	-	-	-
Intergovernmental	773,293	1,066,605	243,486	18,500	78,433
Charges for services	879,249	-	26,500	-	-
Grant revenue	-	-	-	-	430,238
Other revenue	421,423	-	14,601	-	-
<b>Total Revenues</b>	<b>7,682,012</b>	<b>1,076,480</b>	<b>276,463</b>	<b>23,461</b>	<b>665,729</b>
<b>Expenditures:</b>					
General government	2,160,306	-	-	989,764	-
Public safety	2,627,939	-	-	-	252,042
Highways and streets	487,380	984,166	-	899	-
Community development	423,123	-	-	9,724	92,644
Parks and recreation	1,671,169	-	781,201	286	-
<b>Total Expenditures</b>	<b>7,369,917</b>	<b>984,166</b>	<b>781,201</b>	<b>1,000,673</b>	<b>344,686</b>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>312,095</b>	<b>92,314</b>	<b>(504,738)</b>	<b>(977,212)</b>	<b>321,043</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds of capital lease	-	-	-	-	-
Transfers in	9,635	-	287,704	54,500	28,000
Transfers out	(160,368)	(76,336)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(150,733)</b>	<b>(76,336)</b>	<b>287,704</b>	<b>54,500</b>	<b>28,000</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>161,362</b>	<b>15,978</b>	<b>(217,034)</b>	<b>(922,712)</b>	<b>349,043</b>
<b>Fund Balances (Deficit):</b>					
Beginning of year	1,910,878	609,986	241,687	1,428,647	1,850,306
End of year	<u>\$ 2,072,240</u>	<u>\$ 625,964</u>	<u>\$ 24,653</u>	<u>\$ 505,935</u>	<u>\$ 2,199,349</u>

See accompanying Notes to Basic Financial Statements.

<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 92,975
882,598	-	4,998,766
-	-	191,382
-	-	212,306
-	-	221,808
-	-	96,102
-	-	502,144
16,090	23,248	222,216
-	-	156,054
-	270,269	2,450,586
-	96,777	1,002,526
-	4,535	434,773
-	-	436,024
<u>898,688</u>	<u>394,829</u>	<u>11,017,662</u>
8,822	-	3,158,892
779,896	-	3,659,877
-	279,213	1,751,658
-	-	525,491
-	33,432	2,486,088
<u>788,718</u>	<u>312,645</u>	<u>11,582,006</u>
<u>109,970</u>	<u>82,184</u>	<u>(564,344)</u>
-	54,500	54,500
-	-	379,839
-	(64,135)	(300,839)
<u>-</u>	<u>(9,635)</u>	<u>133,500</u>
<u>109,970</u>	<u>72,549</u>	<u>(430,844)</u>
<u>866,634</u>	<u>986,943</u>	<u>7,895,081</u>
<u>\$ 976,604</u>	<u>\$ 1,059,492</u>	<u>\$ 7,464,237</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 Assets For the year ended June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ (430,844)

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

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

2,738,815

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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.

(483,918)

Governmental funds do not report additions or retirements to long term debt. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those liabilities is allocated to the related departments.

Compensated absences

(60,715)

Capital Lease

29,180

Energy Commission Loan, net

(48,889)

(80,424)

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

(49,715)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities.

(1)

**Change in Net Assets of Governmental Activities**

\$ 1,693,913

**CITY OF PLACERVILLE**  
**Statement of Net Assets**  
**All Proprietary Funds**  
**June 30, 2006**

	Major Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Total	
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 13,907	\$ 310,677	\$ 324,584	\$ 1,431,419
Cash with fiscal agent	46,431	7,527,865	7,574,296	
Receivables:				
Accounts	-	-	-	79,779
Interest	(201)	351	150	-
Utility billings, net	261,785	525,169	786,954	-
Grants	60,360	26,853	87,213	-
Deferred charges	8,925	590,925	599,850	-
Due from other funds	-	-	-	95,408
Advances to other funds	-	550,000	550,000	-
Total current assets	<u>391,207</u>	<u>9,531,840</u>	<u>9,923,047</u>	<u>1,606,606</u>
Capital assets:				
Nondepreciable:				
Land and improvements	227,579	1,969,327	2,196,906	-
Construction in progress	449,210	9,609,761	10,058,971	-
Depreciable:				
Buildings and structures	3,997,699	13,998,577	17,996,276	-
Machinery and equipment	71,884	550,874	622,758	-
Infrastructure	20,961,403	22,214,559	43,175,962	-
Accumulated depreciation	(20,654,404)	(28,006,024)	(48,660,428)	-
Total capital assets	<u>5,053,371</u>	<u>20,337,074</u>	<u>25,390,445</u>	<u>-</u>
<b>Total Assets</b>	<u>5,444,578</u>	<u>29,868,914</u>	<u>35,313,492</u>	<u>1,606,606</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	108,055	1,554,785	1,662,840	19,764
Deposits	33,507	2,573	36,080	-
Due to other funds	470,564	385,248	855,812	-
Current portion of long-term debt	13,330	180,105	193,435	-
Total current liabilities	<u>625,456</u>	<u>2,122,711</u>	<u>2,748,167</u>	<u>19,764</u>
Long-term liabilities:				
Claims payable	-	-	-	673,589
Advances from other funds	550,000	-	550,000	-
Long-term debt, net	262,775	19,904,303	20,167,078	-
Total long-term liabilities	<u>812,775</u>	<u>19,904,303</u>	<u>20,717,078</u>	<u>673,589</u>
<b>Total Liabilities</b>	<u>1,438,231</u>	<u>22,027,014</u>	<u>23,465,245</u>	<u>693,353</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	4,777,266	252,666	5,029,932	-
Unrestricted	(770,919)	7,589,234	6,818,315	913,253
<b>Total Net Assets</b>	<u>\$ 4,006,347</u>	<u>\$ 7,841,900</u>	<u>\$ 11,848,247</u>	<u>\$ 913,253</u>

**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Major Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Service charges	\$ 939,439	\$ 1,887,015	\$ 2,826,454	\$ 507,278
Other revenues	23,583	20,502	44,085	-
<b>Total Operating Revenues</b>	<u>963,022</u>	<u>1,907,517</u>	<u>2,870,539</u>	<u>507,278</u>
<b>Operating Expenses:</b>				
General and administrative	221,600	286,359	507,959	428,279
Maintenance and operation	801,475	1,965,103	2,766,578	-
Depreciation	195,931	494,825	690,756	-
<b>Total Operating Expenses</b>	<u>1,219,006</u>	<u>2,746,287</u>	<u>3,965,293</u>	<u>428,279</u>
<b>Operating Income (Loss)</b>	<u>(255,984)</u>	<u>(838,770)</u>	<u>(1,094,754)</u>	<u>78,999</u>
<b>Nonoperating Revenues and (Expenses):</b>				
Connection fees	(6,343)	123,288	116,945	-
Amortization expense	-	-	-	-
Revenue bond issue premium	-	372,934	372,934	-
Gain on early debt retirement	-	216,629	216,629	-
Interest earnings	801	121,643	122,444	-
Interest expense	(5,695)	(276,105)	(281,800)	-
<b>Total Nonoperating Revenues</b>	<u>(11,237)</u>	<u>558,389</u>	<u>547,152</u>	<u>-</u>
<b>Income (Loss) Before Transfers</b>	<u>(267,221)</u>	<u>(280,381)</u>	<u>(547,602)</u>	<u>78,999</u>
Transfers out	-	-	-	(79,000)
<b>Total Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,000)</u>
<b>Net Income (Loss)</b>	<u>(267,221)</u>	<u>(280,381)</u>	<u>(547,602)</u>	<u>(1)</u>
<b>Net Assets (Deficit):</b>				
Beginning of year	4,273,568	8,122,281	12,395,849	913,254
End of year	<u>\$ 4,006,347</u>	<u>\$ 7,841,900</u>	<u>\$ 11,848,247</u>	<u>\$ 913,253</u>

**CITY OF PLACERVILLE**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Major Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Total	
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers and users	\$ 888,275	\$ 1,801,571	\$ 2,689,846	\$ 575,203
Cash paid to suppliers	(429,718)	60,822	(368,896)	(505,402)
Cash paid to employees	(466,776)	(1,100,782)	(1,567,558)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(8,219)</u>	<u>761,611</u>	<u>753,392</u>	<u>69,801</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund transfers, net	-	-	-	(79,000)
Interfund loans, net	50,000	(833,000)	(783,000)	683,000
Decrease in claims payable	-	-	-	(91,570)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>50,000</u>	<u>(833,000)</u>	<u>(783,000)</u>	<u>512,430</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from bond issuance	-	17,778,718	17,778,718	-
Capital asset purchases	(250,522)	(6,930,102)	(7,180,624)	-
Capital improvement fees	(6,343)	123,288	116,945	-
Principal payments on long-term debt	(25,000)	(3,585,961)	(3,610,961)	-
Interest paid	(5,695)	(276,105)	(281,800)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(287,560)</u>	<u>7,109,838</u>	<u>6,822,278</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	1,564	139,501	141,065	5,645
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,564</u>	<u>139,501</u>	<u>965,145</u>	<u>5,645</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(244,215)</u>	<u>7,177,950</u>	<u>6,933,735</u>	<u>587,876</u>
<b>Cash and Cash Equivalents:</b>				
Beginning of year	304,553	660,592	965,145	843,544
End of year	<u>\$ 60,338</u>	<u>\$ 7,838,542</u>	<u>\$ 7,898,880</u>	<u>\$ 1,431,420</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (255,984)	\$ (838,770)	\$ (1,094,754)	\$ 78,999
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	195,931	494,825	690,756	-
Changes in current assets and liabilities:				
Receivables	(74,747)	(105,946)	(180,693)	67,925
Due to other funds	84,963	(265,076)	(180,113)	-
Accounts payable	41,618	1,476,578	1,518,196	(77,123)
Deposits	-	-	-	-
Claims payable	-	-	-	-
Total adjustments	<u>247,765</u>	<u>1,600,381</u>	<u>1,848,146</u>	<u>(9,198)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (8,219)</u>	<u>\$ 761,611</u>	<u>\$ 753,392</u>	<u>\$ 69,801</u>

See accompanying Notes to Basic Financial Statements.

# CITY OF PLACERVILLE

## Statement of Net Assets

### Fiduciary Funds

June 30, 2006

	PFA Agency Funds	Other Agency Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 934,557	\$ 450,497	\$ 1,385,054
Receivables:			
Accounts	-	55,403	55,403
Interest	4,345	2,132	6,477
<b>Total Assets</b>	<u>\$ 938,902</u>	<u>\$ 508,032</u>	<u>\$ 1,446,934</u>
<b>Liabilities:</b>			
Accounts payable	62,445	74,164	136,609
Deposits	27,906	433,868	461,774
Due to bondholders	848,551	-	848,551
<b>Total Liabilities</b>	<u>\$ 938,902</u>	<u>\$ 508,032</u>	<u>\$ 1,446,934</u>

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Placerville, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (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 of Placerville, California (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-Administrator form of government and provides services including general government, public works, public safety, water, sewer, 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 Governmental Accounting Standards Board (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 organization, establishing financial accountability:

Redevelopment Agency of the City of Placerville (Agency) is a separate governmental entity created to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The financial activity of the Agency has been blended in the City's accompanying basic financial statements.

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 separate financial statements of this component unit can be obtained from the City's Finance Department.

All entities included in this financial statement maintain June 30 as their fiscal year-end.

#### ***B. Government-wide Financial Statements***

The basic financial statements include both Government-Wide (based on the City as a whole) and Fund Financial Statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the Fund Financial Statements). Major Funds are funds whose revenues, expenditures or expenses, assets, or liabilities are at least ten percent of the corresponding totals for all Governmental or Enterprise Funds and at least 5 percent of the aggregate amount for all Governmental and Enterprise Funds for the same item. The General Fund is always a Major Fund and any other government or enterprise fund may be reported as a Major Fund if the government believes that fund is particularly important to financial statement users.

The Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *B. Government-wide Financial Statements, Continued*

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-Wide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the Fund Financial Statements.

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

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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.

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. The unsecured and secured property tax lien date is January 1. Unsecured property taxes become delinquent on August 31. Secured property taxes are payable in two installments, on November 1 and February 1 of each year, and become delinquent on December 10 and April 10, 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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued*

The government 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 required to be 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.

The Park Development Special Revenue Fund is used to account for revenues and expenditures associated with the administration of the City's park programs and activities.

The Grants Special Revenue Fund is used to account for revenues and expenditures associated with the administration of various Federal and State grant programs.

The Measure J Special Revenue Fund is used to account for revenues and expenditures associated with the administration of the ¼% sales tax add to supplement the City's police services.

The Capital Project Fund is used for projects carried out within the City.

The government reports the following major proprietary funds:

The Water System Fund is used for the operation and maintenance of a water system consisting of filtration facilities, distribution pipeline and elevated storage tanks.

The Wastewater System 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 wastewater treatment plant required due to growth.

Additionally, the government 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 Internal Service Funds for Workers' Compensation Insurance, Liability Insurance, and Fleet Replacement.

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

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued*

Certain eliminations have been made as prescribed by GASB Statement No. 34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total governmental column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

Amounts reported as program revenues include 1) charges to customers for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

#### *D. Use of Restricted and Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

#### *E. 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.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, 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

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *E. Cash, Cash Equivalents, and Investments, Continued*

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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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.

#### *F. Receivables*

All receivables are shown net of an allowance for doubtful accounts. Service charges revenues (water, sewer and refuse collection) 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, 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 General Long-Term Debt Account Group. No expenditure is reported for these amounts.

#### *I. Capital Assets*

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, 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. Donated assets are valued at their estimated fair 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

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *I. Capital Assets, Continued*

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has elected to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2002-2003. Recording and reporting by the City of these major general infrastructure assets is planned by fiscal year 2006-2007.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. For fiscal year ended June 30, 2006, interest was capitalized in the amount of \$28,020.

#### *J. Deferred and Unearned 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, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred 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 deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and loans receivable.

#### *K. 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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### ***K. Long-Term Liabilities, Continued***

In the Fund Financial Statements, governmental 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. Issuance costs are reported as expenditures.

#### ***L. Net Assets and Fund Equity***

##### **Government-Wide Financial Statements**

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

##### **Fund Financial Statements**

Fund Equity – Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

#### ***M. Use of Estimates***

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

#### ***O. Implementation of New GASB Pronouncements***

In fiscal year ending June 30, 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements.

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* – The Statement addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *O. Implementation of New GASB Pronouncements*

- GASB Statement No. 47, *Accounting for Termination Benefits* – The Statement provides accounting guidance for State and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement require recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

### 2. CASH AND INVESTMENTS

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 average daily cash and investment balances in these funds.

#### *A. Cash Deposits*

At June 30, 2006, the carrying amount of the City's deposits was \$4,271,854. Bank balances before reconciling items were \$535,861 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 \$100,000 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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 2. CASH AND INVESTMENTS

#### *B. Investments*

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

- U.S. Treasury Securities
- U.S. Government Federal Agencies
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper (Corporations)
- Medium-Term Corporate Notes
- Repurchase Agreements collateralized by U.S. Securities or U.S. Government Federal Agencies
- California Local Agency Investment Fund (LAIF)
- U.S. Government Mortgage Pass-Through Securities
- Collateralized Mortgage Obligations (CMOs)
- Asset-Backed Securities (ABS)
- Money Market Mutual Funds
- Passbook Savings and Demand Deposits Accounts

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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

Realized gain/(loss) on matured/sold investments	\$	-
Unrealized gain/(loss) in changes in fair value of investments		(6,184)
		(6,184)
Net gain/(loss)		(6,184)
Interest income		350,844
<b>Total investment income</b>	<b>\$</b>	<b>344,660</b>

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.

In accordance with GASB Statement No. 31, 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 Basic Financial Statements For the Year Ended June 30, 2006

### 2. CASH AND INVESTMENTS, Continued

#### *B. Investments, Continued*

*Cash and Investments with Fiscal Agent.* The Cash and Investments with Fiscal Agents in the amount of \$7,785,311 include certain amounts which are held by fiscal agents to be used only for specific capital outlay, payments of certain longterm debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable City ordinance, resolution, or bond indenture.

#### *C. Summary of Cash and Investments*

The following is a summary of cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business	Total	Statement of	Total
	Activities	Activities		Net Assets	
Cash and investments	\$ 2,083,307	\$ 324,584	\$ 2,407,891	\$ 1,385,054	\$ 3,792,945
Restricted cash and investments	\$ 3,900,484	\$ -	\$ 3,900,484	\$ -	\$ 3,900,484
Cash with fiscal agent	\$ 211,015	\$ 7,574,296	\$ 7,785,311	\$ -	\$ 7,785,311

Deposits and investments were categorized as follows at June 30, 2006:

Investment Type	Fair Value	Investment Maturities (in years) 1 year or less
<b>Cash:</b>		
Cash Deposits	\$ 34,177	\$ 34,177
Petty Cash	2,655	2,655
<b>Total cash:</b>	36,832	36,832
<b>Investments:</b>		
Local Agency Investment Funds	3,756,113	3,756,113
<b>Total investments</b>	3,756,113	3,756,113
<b>Total cash and investments</b>	\$ 3,792,945	\$ 3,792,945
<b>Restricted Cash:</b>		
Cash Deposits	\$ 3,900,484	\$ 3,900,484
<b>Total restricted cash:</b>	\$ 3,900,484	\$ 3,900,484
<b>Cash with Fiscal Agents:</b>		
Money Market Funds	\$ 7,785,311	\$ 7,785,311
<b>Total cash with fiscal agents</b>	\$ 7,785,311	\$ 7,785,311

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 2. CASH AND INVESTMENTS, Continued

#### *D. Risk Disclosures*

*Interest Rate Risk:* 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, 2006, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	100%

*Credit Risk:* It is the City's policy that commercial paper have a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and with a maturity date not exceeding 270 days from the date of purchase. Medium-term notes, with a final maturity not exceeding four years from the date of purchase, must have a rating of AA or the equivalent by a NRSRO. Medium-term notes with a final maturity exceeding four years from the date of purchase shall be rated at least AAA or the equivalent by a NRSRO at the time of purchase.

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 are only in Local Agency Investment Fund which is not rated by a NRSRO.

*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*

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be 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 in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2006 from June 30, 2005, amounted to an unrealized loss of \$6,184.

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

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2006, 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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 2. CASH AND INVESTMENTS, Continued

#### *F. Investments in Local Agency Investment Fund, Continued*

As of June 30, 2006, the City had \$3,756,113 invested in LAIF, which had invested 2.567% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998185821 was used to calculate the fair value of the investments in LAIF.

### 3. INTERFUND TRANSACTIONS

#### *A. Fund Financial Statements*

##### Due To, Due From

At June 30, 2006, the City had the following short-term interfund receivables and payables:

Due To	Due From				
	Governmental Activities		Business-Type Activities		Total
	General Fund	Transportation Development	Water	Sewer	
<i>Governmental Activities:</i>					
General Fund	\$ -	\$ -	\$ 395,213	\$ 309,897	\$ 705,110
Park Development	-	20,043	-	-	20,043
Grants	28,000	-	-	-	28,000
Capital Project	-	-	27,647	27,647	55,294
Internal Service Fund	-	-	47,704	47,704	95,408
<b>Totals</b>	\$ 28,000	\$ 20,043	\$ 470,564	\$ 385,248	\$ 903,855

##### Transfers

At June 30, 2006, the City had the following transfers:

Transfers Out	Transfers In				
	Governmental Activities				
	General	Park Development	Grants	Capital Projects	Total
<i>Governmental Activities:</i>					
General		\$ 132,368	\$ 28,000		\$ 160,368
Transportation Development		76,336			76,336
Non-Major	9,635			54,500	64,135
<i>Internal Service Funds</i>		79,000			79,000
<b>Total</b>	\$ 9,635	\$ 287,704	\$ 28,000	\$ 54,500	\$ 379,839

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 4. CAPITAL ASSETS

#### A. Government-Wide Financial Statements

At June 30, 2006, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land and improvements	\$ 12,180,986	\$ 2,196,906	\$ 14,377,892
Construction in process	2,543,974	10,058,971	12,602,945
Total nondepreciable assets	<u>14,724,960</u>	<u>12,255,877</u>	<u>26,980,837</u>
<i>Depreciable Assets:</i>			
Buildings and structures	11,288,368	17,996,276	29,284,644
Machinery and equipment	2,614,551	622,758	3,237,309
Infrastructure	428,848	43,175,962	43,604,810
	<u>14,331,767</u>	<u>61,794,996</u>	<u>76,126,763</u>
Less accumulated depreciation	<u>(4,801,565)</u>	<u>(48,660,428)</u>	<u>(53,461,993)</u>
Total depreciable assets, net	<u>9,530,202</u>	<u>13,134,568</u>	<u>22,664,770</u>
<b>Total capital assets</b>	<u><u>\$ 24,255,162</u></u>	<u><u>\$ 25,390,445</u></u>	<u><u>\$ 49,645,607</u></u>

As explained in Note 1, the City implemented new GASB pronouncements as related to capital assets. In fiscal year ended June 30, 2006, the City counted, valued and reported its capital assets, including infrastructure for its business-type activities, as shown in the following tables. However, in accordance with GASB Statement No. 34, the City has elected to defer accounting and reporting of its major general infrastructure assets acquired before fiscal year 2002-2003 which is planned by fiscal year 2006-2007.

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

	Balance July 1, 2005	Additions	Transfers	Balance June 30, 2006
<i>Non-Depreciable Assets:</i>				
Land and improvements	\$ 11,962,309	\$ -	\$ 218,677	\$ 12,180,986
Construction in progress	4,943,214	1,232,504	(3,631,744)	2,543,974
Total Nondepreciable assets	<u>16,905,523</u>	<u>1,232,504</u>	<u>(3,413,067)</u>	<u>14,724,960</u>
<i>Depreciable Assets:</i>				
Buildings and structures	6,566,361	1,323,490	3,398,517	11,288,368
Machinery and equipment	2,431,730	182,821	-	2,614,551
Infrastructure	414,298	-	14,550	428,848
Total depreciable assets	<u>9,412,389</u>	<u>1,506,311</u>	<u>3,413,067</u>	<u>14,331,767</u>
Less accumulated depreciation	<u>(4,317,647)</u>	<u>(483,918)</u>	<u>-</u>	<u>(4,801,565)</u>
Total Depreciable assets, net	<u>5,094,742</u>	<u>1,022,393</u>	<u>3,413,067</u>	<u>9,530,202</u>
<b>Total Governmental activities</b>	<u><u>\$ 22,000,265</u></u>	<u><u>\$ 2,254,897</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,255,162</u></u>

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 4. CAPITAL ASSETS, Continued

#### A. Government-Wide Financial Statements, Continued

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2006 were as follows:

General government	\$	236,641
Public safety		185,206
Highways and streets		41,546
Parks and recreation		<u>20,525</u>
<b>Total</b>	<b>\$</b>	<b><u>483,918</u></b>

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

	Balance July 1, 2005	Additions	Transfers	Balance June 30, 2006
<i>Non-depreciable Assets:</i>				
Land and improvements	\$ 2,196,906	\$ -	\$ -	\$ 2,196,906
Construction in progress	4,099,875	6,636,280	(677,184)	10,058,971
<b>Total Nondepreciable assets</b>	<u>6,296,781</u>	<u>6,636,280</u>	<u>(677,184)</u>	<u>12,255,877</u>
<i>Depreciable Assets:</i>				
Buildings and structures	16,820,565	498,527	677,184	17,996,276
Machinery and equipment	582,576	40,182	-	622,758
Infrastructure	43,175,949	13	-	43,175,962
<b>Total depreciable assets</b>	<u>60,579,090</u>	<u>538,722</u>	<u>677,184</u>	<u>61,794,996</u>
Less accumulated depreciation	<u>(47,969,672)</u>	<u>(690,756)</u>	<u>-</u>	<u>(48,660,428)</u>
<b>Total depreciable assets, net</b>	<u>12,609,418</u>	<u>(152,034)</u>	<u>677,184</u>	<u>13,134,568</u>
<b>Total business-type activities</b>	<u>\$ 18,906,199</u>	<u>\$ 6,484,246</u>	<u>\$ -</u>	<u>\$ 25,390,445</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2006, were as follows:

Water	\$	195,931
Sewer		<u>494,825</u>
<b>Total</b>	<b>\$</b>	<b><u>690,756</u></b>

### 4. CAPITAL ASSETS, Continued

#### B. Fund Financial Statements

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

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 Assets.

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.

### 5. LONG-TERM DEBT

#### A. Government-Wide Financial Statements

	Government Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 378,439	\$ 193,435	\$ 571,874
Noncurrent portion of long-term debt:			
Compensated absences	569,877	-	569,877
State Water Loan	-	-	-
State Revolving Loan	-	2,237,826	2,237,826
Sewer Revenue Bonds	-	17,215,000	17,215,000
Energy Commission Loan	43,168	-	43,168
Capital Lease	1,194,316	714,252	1,908,568
Total noncurrent portion of long-term debt	1,807,361	20,167,078	21,974,439
<b>Total long-term debt</b>	<b>\$ 2,185,800</b>	<b>\$ 20,360,513</b>	<b>\$ 22,546,313</b>

#### Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2006:

	Balance			Balance	Due in	Due within
	July 1, 2005	Additions	Retirements	June 30, 2006	more than one year	one year
Compensated Absences	\$ 821,300	\$ 60,715	\$ -	\$ 882,015	\$ 569,877	\$ 312,138
Energy Commission Loan	-	54,500	5,611	48,889	43,168	5,721
Capital Lease	1,284,076	-	29,180	1,254,896	1,194,316	60,580
<b>Total</b>	<b>\$ 2,105,376</b>	<b>\$ 115,215</b>	<b>\$ 34,791</b>	<b>\$ 2,185,800</b>	<b>\$ 1,807,361</b>	<b>\$ 378,439</b>

### 5. LONG-TERM DEBT, Continued

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### *B. Government-Wide Financial Statements, Continued*

#### **Business-Type Activities**

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Due in more than one year	Due within one year
State Water Loan	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -
State Revolving Loan	2,237,604	314,946	157,513	2,395,037	2,237,826	157,211
Sewer Revenue Bonds	3,411,000	17,215,000	3,411,000	17,215,000	17,215,000	-
Capital Lease	767,924	-	17,448	750,476	714,252	36,224
<b>Total</b>	<b>\$ 6,441,528</b>	<b>\$ 17,529,946</b>	<b>\$ 3,610,961</b>	<b>\$ 20,360,513</b>	<b>\$ 20,167,078</b>	<b>\$ 193,435</b>

#### **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 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.

Principal payments are due September 1 of each year 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 June 30,	Principal	Interest	Total
2007	\$ -	\$ 800,662	\$ 800,662
2008	-	830,658	830,658
2009	-	830,658	830,658
2010	-	830,658	830,658
2011	-	830,658	830,658
2012-2016	-	4,153,288	4,153,288
2017-2021	727,500	4,137,488	4,864,988
2022-2026	1,290,000	3,948,597	5,238,597
<b>Total</b>	<b>\$ 2,017,500</b>	<b>\$ 16,362,667</b>	<b>\$ 18,380,167</b>

### **5. LONG-TERM DEBT, Continued**

#### *B. Government-Wide Financial Statements, Continued*

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

Compensated Absences - Upon termination or retirement, the City policy is to pay 100% of the vacation time accrued and one-half of the value of all days accumulated above 90, not to exceed \$5,000 for accrued sick leave. The current portion of accrued vacation time has not been allocated to the various fund types.	\$ 882,015
<i>2005 Energy Commission Loan</i> , semi-annual payments in June and December, interest rate of 3.95%, maturing in December, 2013	48,889
<i>2005 Capital Lease</i> , semi-annual payment April and October, interest rate of 5.08%, maturing in October, 2020	<u>1,254,896</u>
Total	<u><u>\$ 2,185,800</u></u>
<i>1998 State Revolving Loan</i> , annual payments in March, interest of 2.6%, maturing in February, 2019	2,395,037
<i>2006 Waste Water Revenue Bonds</i> , semi-annual payments in March and September, interest range of 4.00% - 5.00%, maturing in September, 2034	17,215,000
<i>2005 Capital Lease</i> , semi-annual payment April and October, interest rate of 5.08%, maturing in October, 2020	<u>750,476</u>
Total	<u><u>\$ 20,360,513</u></u>

Annual debt service requirements for the loans and bonds, excluding unamortized bond discount, are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2007	\$ 259,736	\$ 964,476	\$ 1,224,212
2008	268,978	985,230	1,254,208
2009	278,595	975,613	1,254,208
2010	288,590	965,618	1,254,208
2011	298,984	955,224	1,254,208
2012-2016	1,646,308	4,605,740	6,252,048
2017-2021	2,135,606	4,271,951	6,407,557
2022-2026	<u>1,290,000</u>	<u>3,948,600</u>	<u>5,238,600</u>
<b>Total</b>	<u><u>\$ 6,466,797</u></u>	<u><u>\$ 17,672,452</u></u>	<u><u>\$ 24,139,249</u></u>

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

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 6. RETIREMENT PLAN

#### Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

#### Funding Policy

Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$333,725 for the year ended June 30, 2006. The City employer is required to contribute for fiscal year 2005-2006 at an actuarially determined rate of 13.661% and 28.541% of annual covered payroll for miscellaneous and safety employees, respectively.

#### Annual Pension Cost

For 2005-2006 the City's annual pension cost of \$1,061,380 for PERS was equal to the City's annual required contribution. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.25% to 14.45% for miscellaneous and 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% cost of living adjustment for retirees. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments over a three year period. The average remaining amortization period at June 30, 2003, was 17 years for miscellaneous and 17 years for safety employees for prior and current service unfunded liabilities.

#### THREE YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$ 529,096	100%	\$ -
June 30, 2005	792,164	100%	-
June 30, 2006	1,061,380	100%	-

### 7. DEFERRED COMPENSATION PLAN

The City in 1983 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 25% of their annual compensation, not to exceed \$15,000 in any year, 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 \$2,261,798 at June 30, 2006 have been removed from the basic financial statements of the City, with no impact on fund equity.

### 8. POST-RETIREMENT HEALTH CARE BENEFITS

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

Employees who retire from the City are eligible to receive certain health care benefits. Expenditures for post-retirement health care benefits are recorded on a “pay as you go” basis and for fiscal year ended June 30, 2006 were \$41,994 with 15 participants eligible to receive benefits.

### 9. CLASSIFICATION OF FUND BALANCE AND OTHER FUND DISCLOSURES

#### Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

In governmental funds, designations are presented as a component of fund balance as follows:

	General	Transportation Development	Park Development	Capital Projects	Grants	Measure J	Non-Major	Total
<i>Reserved:</i>								
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special programs	-	625,964	24,653	-	2,199,349	976,604	503,980	4,330,550
Capital projects	282,806	-	-	505,935	-	-	555,512	1,344,253
<b>Total reserved</b>	<b>282,806</b>	<b>625,964</b>	<b>24,653</b>	<b>505,935</b>	<b>2,199,349</b>	<b>976,604</b>	<b>1,059,492</b>	<b>5,674,803</b>
<i>Unreserved, Designated:</i>								
Contingencies	1,176,000	-	-	-	-	-	-	1,176,000
<b>Total unreserved, designated</b>	<b>1,176,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,176,000</b>
<i>Unreserved, Undesignated</i>								
	613,434	-	-	-	-	-	-	613,434
<b>Total</b>	<b>\$ 2,072,240</b>	<b>\$ 625,964</b>	<b>\$ 24,653</b>	<b>\$ 505,935</b>	<b>\$ 2,199,349</b>	<b>\$ 976,604</b>	<b>\$ 1,059,492</b>	<b>\$ 7,464,237</b>

#### Expenditures over Appropriations

The following fund had an excess of expenditures over appropriations, but had adequate resources to cover the excess:

Major Fund	
Transportation Development	<u><u>\$ 348,078</u></u>

#### Fund Equity Deficits

The Parking District Special Revenue Fund has an accumulated deficit of \$(91,260) at June 30, 2006. This amount will be offset with charges for services increases in future years.

### 10. RISK MANAGEMENT

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

The City is a member of joint powers authorities for workers compensation and general liability 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 two years ended June 30, 2005 and 2006:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments For Current and Prior Years	End of Year Liability
	<u>Liability</u>	<u>Estimates</u>	<u>Prior Years</u>	<u>Liability</u>
2004-2005	\$ 749,928	\$ 43,109	\$ (27,848)	\$ 765,189
2005-2006	765,159	(53,083)	(38,487)	673,589

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

*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.

### 10. RISK MANAGEMENT, Continued

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### Northern California Cities Self Insurance Fund, Continued

The following is a summary of financial information of the Authority as of and for the year ended June 30, 2006:

Total Assets (Primarily Investments)	\$	42,278,895
Total Liabilities		26,274,271
Member Equity		16,004,624
Total Revenues		17,248,975
Total Expenses		12,650,711
Operating Income		4,598,264

### 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 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 \$10 million. The first million, in excess of the City's \$50,000 retention, per occurrence is covered by PARSAC, the second and third million are covered by California Affiliated Risk Management Authority (CARMA), and the remaining seven million is covered by a commercial excess insurance carrier.

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, and will be determined two and half years after the end of the current program year.

The following is a summary of audited financial information of PARSAC as of and for the year ended June 30, 2006:

Total Assets (primarily investments)	\$	23,824,578
Total Liabilities		12,232,731
Fund Balance		11,591,847
Total Revenues		9,498,096
Total Expenses		8,410,853
Operating Income		1,087,243

## 11. 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.

The District, not a joint venture, 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.

### 11. CITY AGREEMENTS WITH CERTAIN OTHER GOVERNMENTAL UNITS, Continued

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

For the year ended June 30, 2006, City property tax revenue assigned to the District amounted to approximately \$939,700.

### **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.

## **12. CONTINGENCIES**

### **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.

### **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.

The City is self-insured and participates in public entity risk pools (See Note 10).

### **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.

### **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 unclear but it could have a minimal affect on the City's business taxes.

## **13. PLACERVILLE PUBLIC FINANCING AUTHORITY HAS DEFAULTED ON CERTAIN REVENUE BONDS**

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

The Placerville Public Financing Authority (Authority) is a legal joint powers entity with created by the City and its Redevelopment Agency. The Authority's Board of Directors is comprised of the City's Council Members, City Manager and Finance Director. 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 obligations of 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.

The aggregate principal balance of the Revenue Bonds issued by the Authority outstanding at June 30, 2006, was \$2,001,316 which is not included in these accompanying basic financial statements.

### **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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 13. PLACERVILLE PUBLIC FINANCING AUTHORITY HAS DEFAULTED ON CERTAIN REVENUE BONDS, Continued

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 of California, 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.

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 draw downs 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.

# CITY OF PLACERVILLE

## Notes to Basic Financial Statements For the Year Ended June 30, 2006

### 13. PLACERVILLE PUBLIC FINANCING AUTHORITY HAS DEFAULTED ON CERTAIN REVENUE BONDS, Continued

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.

The City and Authority believe that further defaults on payments of assessments and supplemental assessments are likely to occur, resulting in continued default of scheduled principal and interest payments.

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.

### 13. CONTINGENT LIABILITIES

On May 24, 2005, the City Council approved an agreement with the Sacramento Area Council of Governments (SACOG) which advanced \$1,283,684 in Federal RSTP revenue to the City for the partial construction of the Upper Main Street Rehabilitation project. The advanced revenue will be used to repair and replace sidewalks and storm drains and repave approximately 3,000 feet of roadway from Bedford Avenue to Broadway. In return, the City agreed to pay back SACOG the \$1,283,684 over a four year period. The sources of repayment are limited to future RSTP allocations and Gas Tax subventions made to the City. The repayment schedule is as follows:

Year Ending	Principal	Interest	Total
June 30,			
2007	\$ 315,000	\$ -	\$ 315,000
2008	315,000	-	315,000
2009	313,684	-	313,684
<b>Total</b>	<b>\$ 943,684</b>	<b>\$ -</b>	<b>\$ 943,684</b>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

# CITY OF PLACERVILLE

## Required Supplementary Information For the Year Ended June 30, 2006

### 1. BUDGETARY CONTROL AND ACCOUNTING

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 does 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, 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**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Property taxes	\$ -	\$ 90,000	\$ 92,975	\$ 2,975
Sales tax	3,803,888	4,100,000	4,116,168	16,168
Transient occupancy taxes	180,000	190,000	191,382	1,382
Other taxes	198,300	210,000	212,306	2,306
Franchise fees	220,000	220,000	221,808	1,808
Licenses and permits	115,000	96,000	96,102	102
Fines and forfeitures	441,000	500,000	502,144	2,144
Use of money and property:				
Interest earnings	33,000	19,000	19,108	108
Rentals and concessions	108,000	156,000	156,054	54
Intergovernmental	620,726	773,000	773,293	293
Charges for services	1,017,000	889,000	879,249	(9,751)
Other revenue	417,320	421,000	421,423	423
<b>Total Revenues</b>	<u>7,154,234</u>	<u>7,664,000</u>	<u>7,682,012</u>	<u>18,012</u>
<b>Expenditures:</b>				
General government	2,418,643	2,364,518	2,160,306	204,212
Public safety	2,628,142	2,628,142	2,627,939	203
Highways and streets	517,395	517,395	487,380	30,015
Community development	432,688	423,000	423,123	(123)
Parks and recreation	1,580,545	1,580,545	1,671,169	(90,624)
<b>Total Expenditures</b>	<u>7,577,413</u>	<u>7,513,600</u>	<u>7,369,917</u>	<u>143,683</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(423,179)</u>	<u>150,400</u>	<u>312,095</u>	<u>161,695</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	464,508	9,600	9,635	35
Transfers out	(41,329)	(160,000)	(160,368)	(368)
<b>Total Other Financing Sources (Uses)</b>	<u>423,179</u>	<u>(150,400)</u>	<u>(150,733)</u>	<u>(333)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ -</u>	161,362	<u>\$ 161,362</u>
<b>Fund Balances:</b>				
Beginning of year			<u>1,910,878</u>	
End of year			<u>\$ 2,072,240</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Transportation Development Fund**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 7,200	\$ 9,875	\$ 9,875	\$ -
Intergovernmental	180,300	1,075,799	1,066,605	(9,194)
<b>Total Revenues</b>	<u>187,500</u>	<u>1,085,674</u>	<u>1,076,480</u>	<u>(9,194)</u>
<b>Expenditures:</b>				
Highways and streets	187,500	645,282	984,166	(338,884)
<b>Total Expenditures</b>	<u>187,500</u>	<u>645,282</u>	<u>984,166</u>	<u>(338,884)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>440,392</u>	<u>92,314</u>	<u>(348,078)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	395,178	-	
Transfers out	-	(20,043)	(76,336)	(56,293)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>375,135</u>	<u>(76,336)</u>	<u>(56,293)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ 815,527</u>	15,978	<u>\$ (404,371)</u>
<b>Fund Balances:</b>				
Beginning of year			<u>609,986</u>	
End of year			<u>\$ 625,964</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Park Development Fund**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ -	\$ -	\$ (8,124)	\$ (8,124)
Intergovernmental	240,000	243,000	243,486	486
Charges for services	30,000	26,500	26,500	-
Grant revenue	-	-	-	-
Other revenue	-	-	14,601	14,601
<b>Total Revenues</b>	<u>270,000</u>	<u>269,500</u>	<u>276,463</u>	<u>6,963</u>
<b>Expenditures:</b>				
Parks and recreation	<u>780,000</u>	<u>780,000</u>	<u>781,201</u>	<u>(1,201)</u>
<b>Total Expenditures</b>	<u>780,000</u>	<u>780,000</u>	<u>781,201</u>	<u>(1,201)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(510,000)</u>	<u>(510,500)</u>	<u>(504,738)</u>	<u>5,762</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	287,700	287,704	4
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>287,700</u>	<u>287,704</u>	<u>4</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ (510,000)</u>	<u>\$ (222,800)</u>	(217,034)	<u>\$ 5,766</u>
<b>Fund Balances (Deficit):</b>				
Beginning of year			<u>241,687</u>	
End of year			<u>\$ 24,653</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Grants Fund**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 2,000	\$ 150,000	\$ 157,058	\$ 7,058
Grant revenue	186,000	430,000	430,238	238
Other revenue	-	-	78,433	78,433
<b>Total Revenues</b>	<u>188,000</u>	<u>580,000</u>	<u>665,729</u>	<u>85,729</u>
<b>Expenditures:</b>				
Public safety	100,026	250,000	252,042	(2,042)
Community development	87,974	93,000	92,644	356
<b>Total Expenditures</b>	<u>188,000</u>	<u>343,000</u>	<u>344,686</u>	<u>(1,686)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>237,000</u>	<u>321,043</u>	<u>84,043</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, net	-	28,000	28,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>28,000</u>	<u>28,000</u>	<u>-</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ 265,000</u>	349,043	<u>\$ 84,043</u>
<b>Fund Balances:</b>				
Beginning of year			<u>1,850,306</u>	
End of year			<u>\$ 2,199,349</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Measure J Fund**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ 7,000	\$ 16,000	\$ 16,090	\$ 90
Intergovernmental	900,000	880,000	882,598	2,598
<b>Total Revenues</b>	<u>907,000</u>	<u>896,000</u>	<u>898,688</u>	<u>2,688</u>
<b>Expenditures:</b>				
General government	9,300	-	8,822	(8,822)
Public safety	1,088,742	790,000	779,896	10,104
<b>Total Expenditures</b>	<u>1,098,042</u>	<u>790,000</u>	<u>788,718</u>	<u>1,282</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(191,042)</u>	<u>106,000</u>	<u>109,970</u>	<u>3,970</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, net	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ (191,042)</u>	<u>\$ 106,000</u>	109,970	<u>\$ 3,970</u>
<b>Fund Balances:</b>				
Beginning of year			<u>866,634</u>	
End of year			<u>\$ 976,604</u>	

*This page intentionally left blank.*

**SUPPLEMENTARY  
INFORMATION**

**CITY OF PLACERVILLE**

**Balance Sheet  
Non-Major Funds  
June 30, 2006**

	Special Revenue Funds				Total
	Gas Tax	Development Impact	LLMD	Parking District	
<b>Assets:</b>					
Cash and investments	\$ 531,550	\$ 354,110	\$ 54,848	\$ 13,894	\$ 954,402
Restricted:					
Receivables:					
Accounts	-	161,809	-	25,612	187,421
Interest	3,160	3,884	330	568	7,942
Grant	32,802	55,818	-	-	88,620
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 567,512</b>	<b>\$ 575,621</b>	<b>\$ 55,178</b>	<b>\$ 40,074</b>	<b>\$ 1,238,385</b>
<b>Liabilities:</b>					
Accounts payable	\$ 12,000	\$ 35,262	\$ 297	\$ 1,206	\$ 48,765
Deposits	-	-	-	2,259	2,259
Restricted:					
Advances to other funds	-	-	-	127,869	127,869
<b>Total Liabilities</b>	<b>12,000</b>	<b>35,262</b>	<b>297</b>	<b>131,334</b>	<b>178,893</b>
<b>Fund Balances (Deficit):</b>					
Reserved	555,512	540,359	54,881	(91,260)	1,059,492
<b>Total Fund Balances (Deficit)</b>	<b>555,512</b>	<b>540,359</b>	<b>54,881</b>	<b>(91,260)</b>	<b>1,059,492</b>
<b>Total Liabilities and Fund Balances (Deficit)</b>	<b>\$ 567,512</b>	<b>\$ 575,621</b>	<b>\$ 55,178</b>	<b>\$ 40,074</b>	<b>\$ 1,238,385</b>

**CITY OF PLACERVILLE**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Non-Major Funds**

**For the Year Ended June 30, 2006**

	Special Revenue Funds				Total
	Gas Tax	Development Impact	LLMD	Parking District	
<b>Revenues:</b>					
Use of money and property:					
Interest earnings	\$ 9,021	\$ 11,288	\$ 1,058	\$ 1,881	\$ 23,248
Intergovernmental	249,957	20,312	-	-	270,269
Grant revenue	4,535	-	-	-	4,535
Charges for services	-	44,671	30,299	21,807	96,777
<b>Total Revenues</b>	<u>263,513</u>	<u>76,271</u>	<u>31,357</u>	<u>23,688</u>	<u>394,829</u>
<b>Expenditures:</b>					
Highways and streets	38,769	214,248	-	26,196	279,213
Parks and recreation	-	-	33,432	-	33,432
<b>Total Expenditures</b>	<u>38,769</u>	<u>214,248</u>	<u>33,432</u>	<u>26,196</u>	<u>312,645</u>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>224,744</u>	<u>(137,977)</u>	<u>(2,075)</u>	<u>(2,508)</u>	<u>82,184</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from capital lease	-	-	-	54,500	54,500
Transfers out	(6,468)	(3,167)	-	(54,500)	(64,135)
<b>Total Other Financing Sources (Uses)</b>	<u>(6,468)</u>	<u>(3,167)</u>	<u>-</u>	<u>-</u>	<u>(9,635)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	218,276	(141,144)	(2,075)	(2,508)	72,549
<b>Fund Balances (Deficit):</b>					
Beginning of year	<u>337,236</u>	<u>681,503</u>	<u>56,956</u>	<u>(88,752)</u>	<u>986,943</u>
End of year	<u>\$ 555,512</u>	<u>\$ 540,359</u>	<u>\$ 54,881</u>	<u>\$ (91,260)</u>	<u>\$ 1,059,492</u>

*This page intentionally left blank.*