

# **City of Placerville**

Placerville, California

## **Basic Financial Statements And Independent Auditors' Report**

*For the Year Ended June 30, 2014*

Prepared By  
The Finance Department  
of the City of Placerville



**CITY OF PLACERVILLE**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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1655 North Main Street  
Suite 355  
Walnut Creek, California 94596  
**Phone:** (925) 954-3300  
**Fax:** (925) 954-3350  
[www.pm-llp.com](http://www.pm-llp.com)

## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Placerville, California (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Implementation of GASB Statement No. 65*

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2013, as described in Note 15 to the basic financial statements. Our opinion is not modified with respect to this matter.

### *Implementation of GASB Statement No. 68*

As further discussed in Note 16 to the basic financial statements, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This statement requires state and local government agencies to display the actuarially determined net pension liability in its financial statements effective with fiscal year 2014-2015. This net pension liability is expected to be substantial. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, Budgetary Information, Fund Budgetary Comparison Schedules, and Schedules of Funding Progress for Pensions on pages 7 through 13 and 67 through 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements on pages 73 through 77 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council  
of the City of Placerville  
Placerville, California  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ron Mc Geady LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California  
March 30, 2015

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1655 N. Main Street  
Suite 355  
Walnut Creek, California 94596

**Phone:** (925) 954-3300  
**Fax:** (925) 954-3350  
www.pm-llp.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Placerville, California (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

To the Honorable Mayor and Members of the City Council  
of the City of Placerville  
Placerville, California  
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**Purpose of this Report**

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

Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large initial "P" and "M".

Walnut Creek, California  
March 30, 2015

## 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, 2014. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and to identify any material changes in the approved operating and capital budgets.

### Financial Highlights – Primary Government

- The City's net position at the end of the year was \$54.85M, an increase of \$1.47M. The portion of the City's net position that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled \$5.17M or 9.43%.
- The governmental net position increased by \$1.31M or 3.62% and the business-type net position increased by \$0.17M or 0.96%.
- Program revenues from governmental activities decreased \$1.63M or 20.01%. Program revenues from business-type activities increased by \$0.14M or 2.11%. General revenues, net of transfers, increased \$0.33M or 4.66%.

### City Highlights

- Completed the construction phase of the West bound onramp at Ray Lawyer Drive and Highway 50, \$2.66M.
- Continued the design phase of the Western Placerville Interchange, \$0.51M.
- Completed the construction phase of the Cedar Ravine Road Sewer Line Replacement, \$0.37M.
- Continued the design phase of the Blairs Lane Bridge Widening, \$0.24M.
- Completed the Pleasant Street Sewer Line replacement, \$0.20M.
- Completed the construction phase of the Thompson Way Sidewalk project, \$0.13M.
- Completed the design phase and began the construction phase of the Combellack Road Class II Bike Lanes, \$0.10M
- Continued the design phase of the Placerville Drive Widening, \$0.08M.
- Completed the design phase for the El Dorado Trail extensions between Clay Street and Bedford Avenue and between Main Street and Ray Lawyer Drive, \$0.06M
- Began the Environmental Impact Report for the Clay Street Bridge and Intersection at Main Street, \$0.06M.

### Overview of the Financial Statements

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

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

government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development and recreation and parks. The business-type activities of the City include the two municipal utilities: water acquisition and delivery and wastewater collection and treatment.

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

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

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

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

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

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

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

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

## Government-Wide Statements

### *Statement of Net Position:*

The City's net position at the end of the year was \$54.85M, an increase of \$1.47M. The governmental net position increased by \$1.31M or 3.62% and the business-type net position increased by \$0.17M or 0.96%. The increase in governmental net position is primarily due to a \$0.42M or 7.14% increase in tax revenues and a \$0.18M or 1.47% decrease in expenses. The City and its contractors completed \$4.59M in Public Works projects of which \$1.92M was capitalized by the City as of June 30, 2014. Please see the "Capital Assets" section below for more details.

### Net Position

June 30, 2014

*(amounts expressed in thousands)*

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>	
	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14
Current assets	\$ 2,558	\$ 2,911	\$ 5,473	\$ 5,193	\$ 8,031	\$ 8,104
Restricted Assets	3,868	2,658	2,565	2,565	6,433	5,223
Capital assets	35,750	36,470	69,926	68,401	105,676	104,871
Total assets	<u>42,176</u>	<u>42,039</u>	<u>77,964</u>	<u>76,159</u>	<u>120,140</u>	<u>118,198</u>
Current liabilities	3,576	2,075	2,163	1,996	5,739	4,071
Noncurrent liabilities	2,414	2,469	58,612	56,809	61,026	59,278
Total liabilities	<u>5,990</u>	<u>4,544</u>	<u>60,775</u>	<u>58,805</u>	<u>66,765</u>	<u>63,349</u>
<b>Net position:</b>						
Net investment in capital assets	34,986	35,796	9,520	9,789	44,506	45,585
Restricted	1,210	1,524	2,565	2,565	3,775	4,089
Unrestricted (deficit)	(10)	175	5,104	5,000	5,094	5,175
Total net position	<u>\$ 36,186</u>	<u>\$ 37,495</u>	<u>\$ 17,189</u>	<u>\$ 17,354</u>	<u>\$ 53,375</u>	<u>\$ 54,849</u>

### Changes in Net Position

Program revenues from governmental activities decreased \$1.63M or 20.01%. The decrease is primarily due to a \$1.22M decrease in capital grants and contributions. General revenues, net of transfers, increased \$0.33M or 4.66%. This net increase is primarily due to a \$0.42M or 8.11% increase in local sales tax revenues. Program revenues from business-type activities increased by \$0.14M or 2.11% which was primarily due to planned mid-year increases in water and sewer rates. Water rates were increased by 9% effective February 16, 2013, and sewer rates were increased by 6.34% effective August 16, 2013. Business-type revenues exceeded expenditures by \$0.17M primarily due to \$0.45M in net Measure H sales tax revenues set-aside for future sewer and water infrastructure projects. Water Enterprise Fund revenues exceeded expenditures by \$0.09M which was primarily due to a \$0.05M increase in operating revenues. Sewer Enterprise Fund expenditures exceeded revenues by \$0.38M which was primarily due to \$1.95M in depreciation, which is a non-cash expense.

**Condensed Statement of Activities and Changes in Net Position**  
**For the year ended June 30, 2014**  
*(amounts expressed in thousands)*

	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Position			
					Government Activities		Business-type Activities	
	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14	FY 12/13	FY 13/14
<i>Governmental activities</i>								
General government	\$ 2,184	\$ 2,268	\$ 698	\$ 647	\$ (1,486)	\$ (1,621)		
Public safety	3,973	3,752	784	658	(3,189)	(3,094)		
Highways and streets	3,641	3,561	5,586	4,312	1,945	751		
Community development	548	538	264	187	(284)	(351)		
Parks and recreation	1,576	1,628	828	724	(748)	(904)		
Total governmental activities	11,922	11,747	8,160	6,528	(3,762)	(5,219)		
<i>Business-type activities</i>								
Water	1,560	1,706	1,824	1,877			264	171
Sewer	6,072	5,697	4,802	4,889			(1,270)	(808)
Total business-type activities	7,632	7,403	6,626	6,766			(1,006)	(637)
Total primary government	\$ 19,554	\$ 19,150	\$ 14,786	\$ 13,294				
					6,186	6,528	818	802
					2,424	1,309	(188)	165
					<b>Net Position:</b>			
					33,762	36,186	17,377	17,189
					\$ 36,186	\$ 37,495	\$ 17,189	\$ 17,354

**Budgetary Highlights - Current Year Impacts**

- The \$14,338 decreased cost in employer paid retirement contributions for Fiscal Year 2013/2014 was primarily due to vacant positions and the establishment of lower cost retirement benefits for new employees.

Fiscal Year	Percentage of Credible Salary		Increased/ (Decreased) Cost
	Miscellaneous Plan	Public Safety	
2012/2013	6.50%/10.20%/27.40%	11.50%/20.06%/37.85%	\$ (20,981.00)
2013/2014	6.50%/10.77%/29.26%	11.50%/20.77%/39.70%	(14,338)
2014/2015	6.50%/11.51%/22.18%	11.50%/21.37%/32.07%	56,966

- Due to the continuation of the local economic recovery from the Great Recession, the ongoing pay cut for all City employees was reduced from 10% to 5% in the form of Mandatory Time Off (MTO).

**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 2013/2014, the City's governmental funds reported a combined ending fund balance of \$2.69M – a increase of \$0.67M or 32.80%.

**General Fund.** Total fund balance for the General Fund on June 30, 2014 was \$1.68M, an increase of \$0.42M from the prior year. Of the \$1.68M fund balance, \$1.42M is available for contingencies. The \$1.42M unassigned balance represents 21.84% of General Fund expenditures, net of fund transfers.

## **Business Type Funds**

The City's proprietary funds, excluding internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the business-type net position increased by \$0.17M or 0.96%.

The City's Wastewater Treatment Plant was subject of a cease and desist order issued by the State Water Resources Control Board (SWRCB). The order required upgrades to the City's existing facility to improve the quality of the effluent. The four-year upgrade project was completed in 2009 and was primarily financed with a \$42.86M State Revolving Fund (SRF) loan. The first \$1.42M loan payment was due in Fiscal Year 2010/2011. Due to the suspension of previously approved sewer rate increases, lower sewer revenues caused by water conservation, and payment delinquencies associated with the poor economy, it became apparent that the City would not have adequate cash flows in the Sewer Enterprise Fund to make the full debt service payment in Fiscal Year 2010/2011. Fortunately, the City was successful in negotiating a modified loan payment schedule with the SWRCB which lowered the payment amounts for Fiscal Years 2010/2011, 2011/2012, and 2012/2013 to \$0.20M, \$0.40M, and \$0.80M respectfully. The annual payment from Fiscal Years 2013/2014 to 2039/2040 is \$1.53M. The City set aside \$1.69M of fund balance in a rate stabilization reserve between Fiscal Year 2010/2012 and 2012/2013 to partially supplement the first full \$1.53M payment that was made in Fiscal Year 2013/2014. The City has implemented the maximum sewer rates that were adopted in 2009 and plans on raising sewer rates incrementally over the next few years to fully fund the entire \$1.53M payment from net operating revenues thereafter.

In November 2010, Placerville voters approved Measure H, which is a 0.25% add on sales tax dedicated to paying for wastewater and/or water related debt and infrastructure replacement costs. The Measure H sales tax became effective April 1, 2011, and generated \$0.94M in Fiscal Year 2013/2014.

## **Capital Assets and Debt Administration**

### **Debt Administration**

*Long Term Debt* - At the end of the current fiscal year, the City had \$60.67M in long term debt outstanding compared to \$62.55M last year, a \$1.88M or 3.01% net decrease. The decrease is primarily due to debt service payments made in Fiscal Year 2013/2014. 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 2013/2014 include:

#### Governmental Activities

- Construction in progress – Western Placerville Interchange, (\$0.51M)
- Construction in progress – Blairs Lane Bridge Widening, (\$0.24M)
- Construction in progress – Thompson Way Sidewalks, (\$0.13M)
- Construction in progress – Combellack Road Class II Bike Lanes, (\$0.10M)
- Construction in progress – Placerville Drive Bridge Widening, (\$0.08M)
- Construction in progress – El Dorado Trail Extensions Between Clay Street and Bedford Avenue and Between Main Street and Ray Lawyer Drive, (\$.06M)
- Construction in progress – Clay Street Bridge and Intersection EIR, (\$.06M)

**Governmental Capital Assets**

**June 30, 2014**

(amounts expressed in thousands)

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 12,805	\$ 26	\$ -	\$ -	\$ 12,831
Construction in progress	6,217	1,232	-	-	7,449
Total nondepreciable assets	19,022	1,258	-	-	20,280
<i>Depreciable Assets:</i>					
Buildings and structures	12,111	-	-	-	12,111
Machinery and equipment	3,444	52	-	(49)	3,447
Infrastructure	9,695	-	-	-	9,695
Total depreciable assets	25,250	52	-	(49)	25,253
Less accumulated depreciation	(8,522)	(541)	-	-	(9,063)
Total depreciable assets, net	16,728	(489)	-	(49)	16,190
<b>Total governmental activities</b>	<b>\$ 35,750</b>	<b>\$ 769</b>	<b>\$ -</b>	<b>\$ (49)</b>	<b>\$ 36,470</b>

Business Type Activities

- Construction in progress – Cedar Ravine Road Sewer Line Replacement, (\$0.37M)
- Construction in progress – Pleasant Street Sewer Line Replacement, (\$0.20M)

**Business-Type Capital Assets**

**June 30, 2014**

(amounts expressed in thousands)

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,329	\$ -	\$ -	\$ -	\$ 2,329
Construction in progress	646	667	-	-	1,313
Total nondepreciable assets	2,975	667	-	-	3,642
<i>Depreciable Assets:</i>					
Buildings and structures	73,822	-	-	-	73,822
Machinery and equipment	953	33	-	(1)	985
Infrastructure	47,542	-	-	-	47,542
Total depreciable assets	122,317	33	-	(1)	122,349
Less accumulated depreciation	(55,366)	(2,224)	-	-	(57,590)
Total depreciable assets, net	66,951	(2,191)	-	(1)	64,759
<b>Total business-type activities</b>	<b>\$ 69,926</b>	<b>\$ (1,524)</b>	<b>\$ -</b>	<b>\$ (1)</b>	<b>\$ 68,401</b>



## **Other Information**

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

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

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

## **Requests for Information**

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

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**BASIC  
FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

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# CITY OF PLACERVILLE

## Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 1,786,514	\$ 3,171,452	\$ 4,957,966
Receivables:			
Accounts	996,879	178,366	1,175,245
Interest	165	628	793
Utility billings, net	-	1,842,487	1,842,487
Prepaid items	127,191	-	127,191
Total current assets	<u>2,910,749</u>	<u>5,192,933</u>	<u>8,103,682</u>
Restricted:			
Cash and investments	1,989,298	-	1,989,298
Deposits held by fiscal agents	101,649	2,564,805	2,666,454
Receivables:			
Accounts	235,514	-	235,514
Interest	346	-	346
Grants	285,095	-	285,095
Rule 20A Work Credit	46,440	-	46,440
Total restricted assets	<u>2,658,342</u>	<u>2,564,805</u>	<u>5,223,147</u>
Capital assets:			
Nondepreciable	20,280,653	3,642,619	23,923,272
Depreciable, net	16,189,609	64,758,118	80,947,727
Total capital assets, net	<u>36,470,262</u>	<u>68,400,737</u>	<u>104,870,999</u>
<b>Total Assets</b>	<u>42,039,353</u>	<u>76,158,475</u>	<u>118,197,828</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	153,704	159,026	312,730
Payroll and related taxes payable	241,223	-	241,223
Deposits	22,726	34,402	57,128
Current portion of compensated absences	400,325	-	400,325
Current portion of long-term debt	90,142	1,802,855	1,892,997
Interest on long-term debt	32,810	-	32,810
Total current liabilities	<u>940,930</u>	<u>1,996,283</u>	<u>2,937,213</u>
Restricted:			
Accounts payable	218,762	-	218,762
Unearned revenue	915,675	-	915,675
Total restricted liabilities	<u>1,134,437</u>	<u>-</u>	<u>1,134,437</u>
Long-term liabilities:			
Compensated absences	980,357	-	980,357
Claims payable	275,287	-	275,287
Long-term debt, net	584,339	56,808,584	57,392,923
Net OPEB obligation	629,349	-	629,349
Total long-term liabilities	<u>2,469,332</u>	<u>56,808,584</u>	<u>59,277,916</u>
<b>Total Liabilities</b>	<u>4,544,699</u>	<u>58,804,867</u>	<u>63,349,566</u>
<b>Net Position:</b>			
Net investment in capital assets	35,795,781	9,789,298	45,585,079
Restricted:			
Capital projects	1,150,745	2,564,805	3,715,550
Special projects and programs	373,160	-	373,160
Total restricted	<u>1,523,905</u>	<u>2,564,805</u>	<u>4,088,710</u>
Unrestricted	174,968	4,999,505	5,174,473
<b>Total Net Position</b>	<u>\$ 37,494,654</u>	<u>\$ 17,353,608</u>	<u>\$ 54,848,262</u>

**CITY OF PLACERVILLE**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 2,267,598	\$ 646,856	\$ -	\$ -	\$ 646,856
Public safety	3,751,783	397,153	206,474	54,558	658,185
Highways and streets	3,560,656	258,489	339,194	3,714,174	4,311,857
Community development	538,514	187,232	-	-	187,232
Parks and recreation	1,628,280	660,783	-	62,834	723,617
<b>Total governmental activities</b>	<b>11,746,832</b>	<b>2,150,512</b>	<b>545,668</b>	<b>3,831,566</b>	<b>6,527,746</b>
<b>Business-type activities:</b>					
Water	1,705,893	1,876,293	-	-	1,876,293
Sewer	5,696,668	4,889,175	-	-	4,889,175
<b>Total business-type activities</b>	<b>7,402,561</b>	<b>6,765,468</b>	<b>-</b>	<b>-</b>	<b>6,765,468</b>
<b>Total primary government</b>	<b>\$ 19,149,393</b>	<b>\$ 8,915,980</b>	<b>\$ 545,668</b>	<b>\$ 3,831,566</b>	<b>\$ 13,293,214</b>



**CITY OF PLACERVILLE**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2014**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (1,620,742)	\$ -	\$ (1,620,742)
Public safety	(3,093,599)	-	(3,093,599)
Highways and streets	751,201	-	751,201
Community development	(351,283)	-	(351,283)
Parks and recreation	(904,664)	-	(904,664)
<b>Total governmental activities</b>	<b>(5,219,085)</b>	<b>-</b>	<b>(5,219,085)</b>
<b>Business-type activities:</b>			
Water	-	170,400	170,400
Sewer	-	(807,493)	(807,493)
<b>Total business-type activities</b>	<b>-</b>	<b>(637,093)</b>	<b>(637,093)</b>
<b>Total primary government</b>	<b>(5,219,085)</b>	<b>(637,093)</b>	<b>(5,856,178)</b>
<b>General revenues and transfers:</b>			
Taxes:			
Property	213,933	-	213,933
Sales	4,674,395	937,459	5,611,854
Motor vehicle	749,663	-	749,663
Other	641,228	-	641,228
<b>Total taxes</b>	<b>6,279,219</b>	<b>937,459</b>	<b>7,216,678</b>
Interest and investment earnings	14,706	3,053	17,759
Miscellaneous	73,933	21,685	95,618
<b>Transfers</b>	<b>160,039</b>	<b>(160,039)</b>	<b>-</b>
<b>Total general revenues and transfers</b>	<b>6,527,897</b>	<b>802,158</b>	<b>7,330,055</b>
<b>Changes in net position</b>	<b>1,308,812</b>	<b>165,065</b>	<b>1,473,877</b>
<b>Net Position:</b>			
Beginning of year, as restated (Note 15)	36,185,842	17,188,543	53,374,385
End of year	<u>\$ 37,494,654</u>	<u>\$ 17,353,608</u>	<u>\$ 54,848,262</u>

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**FUNDS  
FINANCIAL STATEMENTS**

# CITY OF PLACERVILLE

## Balance Sheet Governmental Funds June 30, 2014

	Major Funds			Non-Major Funds	Total
	General	Transportation Development	Measure J		
<b>Assets:</b>					
Cash and investments	\$ 878,783	\$ 1,106,687	\$ 234,687	\$ 647,924	\$ 2,868,081
Receivables:					
Accounts	953,059	-	177,842	57,672	1,188,573
Interest	152	185	43	118	498
Prepaid items	127,191	-	-	-	127,191
Due from other funds	10,546	-	-	-	10,546
Advances to other funds	127,869	-	-	-	127,869
Restricted:					
Deposits held by fiscal agents	-	-	-	101,649	101,649
Receivables:					
Loans	-	-	-	904,017	904,017
Grants	-	-	-	483,904	483,904
Rule 20A work credit	-	-	-	46,440	46,440
<b>Total Assets</b>	<b>\$ 2,097,600</b>	<b>\$ 1,106,872</b>	<b>\$ 412,572</b>	<b>\$ 2,241,724</b>	<b>\$ 5,858,768</b>
<b>Liabilities:</b>					
Accounts payable	\$ 152,782	\$ 178,122	\$ 500	\$ 40,140	\$ 371,544
Payroll and related taxes payable	241,223	-	-	-	241,223
Deposits	20,467	-	-	2,259	22,726
Restricted:					
Due to other funds	-	-	-	10,546	10,546
Unearned revenue	-	915,675	-	-	915,675
Advances from other funds	-	-	129,318	371,841	501,159
<b>Total Liabilities</b>	<b>414,472</b>	<b>1,093,797</b>	<b>129,818</b>	<b>424,786</b>	<b>2,062,873</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	-	-	1,102,826	1,102,826
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,102,826</b>	<b>1,102,826</b>
<b>Fund Balances:</b>					
Nonspendable	265,606	-	-	46,440	312,046
Restricted	-	13,075	282,754	864,530	1,160,359
Committed	-	-	-	96,211	96,211
Unassigned	1,417,522	-	-	(293,069)	1,124,453
<b>Total Fund Balances</b>	<b>1,683,128</b>	<b>13,075</b>	<b>282,754</b>	<b>714,112</b>	<b>2,693,069</b>
<b>Total Liabilities Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,097,600</b>	<b>\$ 1,106,872</b>	<b>\$ 412,572</b>	<b>\$ 2,241,724</b>	<b>\$ 5,858,768</b>

**CITY OF PLACERVILLE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2014**

---

**Total Fund Balances - Total Governmental Funds** \$ 2,693,069

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

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

Non-depreciable	20,280,653
Depreciable	25,252,534
Less accumulated depreciation	<u>(9,062,925)</u>
	<u>36,470,262</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	(90,142)
Long-term debt - non-current portion	(584,339)
Compensated absences - current portion	(400,325)
Compensated absences - long-term portions	(980,357)
Net OPEB obligation	<u>(629,349)</u>
	<u>(2,684,512)</u>

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

(32,810)

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.

1,048,645

**Net Position of Governmental Activities** **\$ 37,494,654**

**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	Major Funds			Non-Major Funds	Total
	General	Transportation Development	Measure J		
<b>Revenues:</b>					
Property taxes	\$ 213,933	\$ -	\$ -	\$ -	\$ 213,933
Sales tax	3,740,000	-	934,395	-	4,674,395
Transient occupancy taxes	158,606	-	-	-	158,606
Other taxes	180,448	-	-	-	180,448
Franchise fees	273,379	-	-	-	273,379
Licenses and permits	100,252	-	-	-	100,252
Fines and forfeitures	112,718	-	-	-	112,718
Use of money and property:					
Interest earnings	734	842	145	12,467	14,188
Rentals and concessions	73,913	-	-	-	73,913
Intergovernmental	778,458	3,408,843	-	406,445	4,593,746
Charges for services	696,635	-	-	260,857	957,492
Grant revenue	-	-	5,000	556,946	561,946
Other revenue	577,000	-	-	20	577,020
<b>Total Revenues</b>	<b>6,906,076</b>	<b>3,409,685</b>	<b>939,540</b>	<b>1,236,735</b>	<b>12,492,036</b>
<b>Expenditures:</b>					
General government	1,888,293	-	9,437	14,642	1,912,372
Public safety	2,379,546	-	743,714	217,037	3,340,297
Highways and streets	485,644	3,448,787	-	522,468	4,456,899
Community development	486,659	-	-	-	486,659
Parks and recreation	1,452,847	-	-	97,820	1,550,667
<b>Total Expenditures</b>	<b>6,692,989</b>	<b>3,448,787</b>	<b>753,151</b>	<b>851,967</b>	<b>11,746,894</b>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>213,087</b>	<b>(39,102)</b>	<b>186,389</b>	<b>384,768</b>	<b>745,142</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	309,628	12,428	-	25,581	347,637
Transfers out	(105,600)	-	-	(322,056)	(427,656)
<b>Total Other Financing Sources (Uses)</b>	<b>204,028</b>	<b>12,428</b>	<b>-</b>	<b>(296,475)</b>	<b>(80,019)</b>
<b>Net change in fund balances</b>	<b>417,115</b>	<b>(26,674)</b>	<b>186,389</b>	<b>88,293</b>	<b>665,123</b>
<b>Fund Balances:</b>					
Beginning of year	1,266,013	39,749	96,365	625,819	2,027,946
End of year	<u>\$ 1,683,128</u>	<u>\$ 13,075</u>	<u>\$ 282,754</u>	<u>\$ 714,112</u>	<u>\$ 2,693,069</u>

# CITY OF PLACERVILLE

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Position For the year ended June 30, 2014

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**Net Change in Fund Balances - Total Governmental Funds** \$ 665,123

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. 1,260,976

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds financial statements. (541,068)

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

Compensated absences	356
Capital Lease	85,773
Energy Commission Loan, net	3,726
Net OPEB obligation	<u>(156,795)</u>
	<u>(66,940)</u>

Interest on long-term debt was not accrued in the funds, but rather was recognized as an expenditure when due. 4,443

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds was reported with governmental activities. (13,722)

**Change in Net Position of Governmental Activities** \$ 1,308,812

**CITY OF PLACERVILLE**  
**Statement of Net Position**  
**All Proprietary Funds**  
**June 30, 2014**

	Major Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Measure H	Total	
<b>Assets:</b>					
Current assets:					
Cash and investments	\$ 887,373	\$ 1,048,222	\$ 1,235,857	\$ 3,171,452	\$ 907,731
Cash with fiscal agent	22,367	2,542,438	-	2,564,805	-
Receivables:					
Accounts	1,985	7,532	168,849	178,366	43,820
Interest	207	202	219	628	13
Utility billings, net	540,574	1,301,913	-	1,842,487	-
Due from other funds	-	100,676	-	100,676	-
Advances to other funds	-	-	-	-	373,290
Total current assets	<u>1,452,506</u>	<u>5,000,983</u>	<u>1,404,925</u>	<u>7,858,414</u>	<u>1,324,854</u>
Capital assets:					
Nondepreciable:					
Land and improvements	359,647	1,969,327	-	2,328,974	-
Construction in progress	169,647	1,143,998	-	1,313,645	-
Depreciable:					
Buildings and structures	4,021,764	69,800,250	-	73,822,014	-
Machinery and equipment	130,082	854,491	-	984,573	-
Infrastructure	21,736,347	25,805,879	-	47,542,226	-
Accumulated depreciation	(22,526,496)	(35,064,199)	-	(57,590,695)	-
Total capital assets, net	<u>3,890,991</u>	<u>64,509,746</u>	<u>-</u>	<u>68,400,737</u>	<u>-</u>
<b>Total Assets</b>	<u>5,343,497</u>	<u>69,510,729</u>	<u>1,404,925</u>	<u>76,259,151</u>	<u>1,324,854</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	49,539	109,487	-	159,026	922
Deposits	31,946	2,456	-	34,402	-
Due to other funds	-	-	100,676	100,676	-
Current portion of long-term debt	19,835	1,783,020	-	1,802,855	-
Total current liabilities	<u>101,320</u>	<u>1,894,963</u>	<u>100,676</u>	<u>2,096,959</u>	<u>922</u>
Long-term liabilities:					
Claims payable	-	-	-	-	275,287
Advances from other funds	-	-	-	-	-
Long-term debt, net	128,214	56,680,370	-	56,808,584	-
Total long-term liabilities	<u>128,214</u>	<u>56,680,370</u>	<u>-</u>	<u>56,808,584</u>	<u>275,287</u>
<b>Total Liabilities</b>	<u>229,534</u>	<u>58,575,333</u>	<u>100,676</u>	<u>58,905,543</u>	<u>276,209</u>
<b>Net Position:</b>					
Net investment in capital assets	3,742,942	6,046,356	-	9,789,298	-
Restricted	22,367	2,542,438	-	2,564,805	-
Unrestricted	1,348,654	2,346,602	1,304,249	4,999,505	1,048,645
<b>Total Net Position</b>	<u>\$ 5,113,963</u>	<u>\$ 10,935,396</u>	<u>\$ 1,304,249</u>	<u>\$ 17,353,608</u>	<u>\$ 1,048,645</u>



**CITY OF PLACERVILLE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Major Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Measure H	Total	
<b>Operating Revenues:</b>					
Service charges	\$ 1,869,371	\$ 4,887,992	\$ -	\$ 6,757,363	\$ 335,837
Sales tax	-	-	937,459	937,459	-
Other revenues	6,922	1,183	-	8,105	67,109
<b>Total Operating Revenues</b>	<u>1,876,293</u>	<u>4,889,175</u>	<u>937,459</u>	<u>7,702,927</u>	<u>402,946</u>
<b>Operating Expenses:</b>					
General and administrative	332,936	329,703	-	662,639	633,466
Maintenance and operation	1,094,950	2,533,826	-	3,628,776	23,883
Depreciation	269,826	1,954,248	-	2,224,074	-
<b>Total Operating Expenses</b>	<u>1,697,712</u>	<u>4,817,777</u>	<u>-</u>	<u>6,515,489</u>	<u>657,349</u>
<b>Operating Income (Loss)</b>	<u>178,581</u>	<u>71,398</u>	<u>937,459</u>	<u>1,187,438</u>	<u>(254,403)</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Connection fees	1,500	20,185	-	21,685	-
Interest earnings	1,003	1,069	981	3,053	623
Interest expense	(8,181)	(878,891)	-	(887,072)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(5,678)</u>	<u>(857,637)</u>	<u>981</u>	<u>(862,334)</u>	<u>623</u>
<b>Income (Loss) Before Transfers</b>	172,903	(786,239)	938,440	325,104	(253,780)
Transfers in	-	484,498	-	484,498	240,058
Transfers out	(80,019)	(80,020)	(484,498)	(644,537)	-
<b>Total Transfers</b>	<u>(80,019)</u>	<u>404,478</u>	<u>(484,498)</u>	<u>(160,039)</u>	<u>240,058</u>
<b>Net Income (Loss)</b>	92,884	(381,761)	453,942	165,065	(13,722)
<b>Net Position:</b>					
Beginning of year, as restated (Note 15)	5,021,079	11,317,157	850,307	17,188,543	1,062,367
End of year	<u>\$ 5,113,963</u>	<u>\$ 10,935,396</u>	<u>\$ 1,304,249</u>	<u>\$ 17,353,608</u>	<u>\$ 1,048,645</u>

**CITY OF PLACERVILLE**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Major Funds				Governmental
	Water	Sewer	Measure H	Total	Activities Internal Service Funds
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers and users	\$ 1,941,752	\$ 5,187,918	\$ 944,312	\$ 8,073,982	\$ 440,589
Cash paid to suppliers	(907,315)	(1,392,290)	-	(2,299,605)	(665,693)
Cash paid to employees	(609,501)	(1,556,653)	-	(2,166,154)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>424,936</b>	<b>2,238,975</b>	<b>944,312</b>	<b>3,608,223</b>	<b>(225,104)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Interfund transfers, net	(80,019)	404,478	(484,498)	(160,039)	240,058
Interfund loans, net	-	-	-	-	(55,000)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(80,019)</b>	<b>404,478</b>	<b>(484,498)</b>	<b>(160,039)</b>	<b>185,058</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Capital asset purchases	(42,463)	(656,429)	-	(698,892)	-
Capital improvement fees	1,500	20,185	-	21,685	-
Principal payments on long-term debt	(18,873)	(1,775,240)	-	(1,794,113)	-
Interest paid	(8,181)	(878,891)	-	(887,072)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(68,017)</b>	<b>(3,290,375)</b>	<b>-</b>	<b>(3,358,392)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	983	1,251	924	3,158	752
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>983</b>	<b>1,251</b>	<b>924</b>	<b>3,158</b>	<b>752</b>
<b>Net Changes in Cash and Cash Equivalents</b>	<b>277,883</b>	<b>(645,671)</b>	<b>460,738</b>	<b>92,950</b>	<b>(39,294)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of year	631,857	4,236,331	775,119	5,643,307	947,025
End of year	<u>\$ 909,740</u>	<u>\$ 3,590,660</u>	<u>\$ 1,235,857</u>	<u>\$ 5,736,257</u>	<u>\$ 907,731</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$ 178,581	\$ 71,398	\$ 937,459	\$ 1,187,438	\$ (254,403)
Adjustments to reconcile operating income loss to net cash provided (used) by operating activities:					
Depreciation expense	269,826	1,954,248	-	2,224,074	-
Changes in current assets and liabilities:					
Receivables	66,533	299,114	3,445	369,092	37,643
Due to other funds	-	-	3,408	3,408	-
Accounts payable	(88,930)	(85,414)	-	(174,344)	(25,208)
Deposits	(1,074)	(371)	-	(1,445)	-
Claims payable	-	-	-	-	16,864
Total adjustments	246,355	2,167,577	6,853	2,420,785	29,299
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 424,936</b>	<b>\$ 2,238,975</b>	<b>\$ 944,312</b>	<b>\$ 3,608,223</b>	<b>\$ (225,104)</b>

**CITY OF PLACERVILLE**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

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	<u>PFA Agency Funds</u>	<u>Other Agency Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 111,643	\$ 263,836	\$ 375,479
Receivables:			
Accounts	-	13,810	13,810
Interest	<u>21</u>	<u>67</u>	<u>88</u>
<b>Total Assets</b>	<u><u>\$ 111,664</u></u>	<u><u>\$ 277,713</u></u>	<u><u>\$ 389,377</u></u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 12,616	\$ 12,616
Deposits	27,906	265,097	293,003
Due to bondholders	<u>83,758</u>	<u>-</u>	<u>83,758</u>
<b>Total Liabilities</b>	<u><u>\$ 111,664</u></u>	<u><u>\$ 277,713</u></u>	<u><u>\$ 389,377</u></u>

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**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

The basic financial statements of the City of Placerville, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**A. Reporting Entity**

The City was incorporated in 1854, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides services including general government, public works, public safety, water, sewer treatment, and parks and recreation. Control or dependence is determined on the basis of budget adoption, selection of governing authority and designation of management, outstanding debt secured by revenues or general obligations of the City and ability to significantly influence operations.

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

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

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

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

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

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

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

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

*Government-Wide Financial Statement*

The Government-Wide Financial Statements (i.e., the Statement of Net Position 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 services.

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.

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 Government-wide Financial Statements.

Certain eliminations have been made for interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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.

*Governmental Fund Financial Statements*

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

*Governmental Fund Financial Statements (Continued)*

The City reports the following major governmental funds:

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

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

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

*Proprietary Fund Financial Statements*

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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



**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

***C. Property Taxes***

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

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

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

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

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

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

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

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

***E. Receivables***

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

***F. 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.”

***G. Compensated Absences***

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

***H. Capital Assets***

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

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

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

Interest accrued during capital assets construction, if any, is capitalized for the business-type and enterprise funds as part of the asset cost. For fiscal year ended June 30, 2014, there was no capitalized interest.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

***I. Unearned/Unavailable Revenue***

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

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

***J. 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 expensed when incurred.

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

***K. Net Position and Fund Equity***

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

Net position are classified in the following categories:

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

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

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

**Fund Financial Statements**

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

**Fund Financial Statements (Continued)**

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

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

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

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

**Spending Policy**

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

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

***L. Use of Estimates***

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

***M. Accounting Changes***

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement became effective for periods beginning after December 15, 2012. The City has adjusted its certain items and have restated its beginning balances accordingly. See Note 15 to the Basic Financial Statements for further details.

GASB has issued Statement No. 66, *Technical Corrections - 2012 (an amendment of GASB Statements No. 10 and No. 62)*. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the City's financial statements for the year ended June 30, 2014.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statements also augments the ability of financial statements users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 30, 2013 and did not have a significant impact on the City's financial statements for the year ended June 30, 2014.

**Note 2 – Cash and Investments**

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

The following is a summary of cash and investments at June 30, 2014:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 1,786,514	\$ 3,171,452	\$ 4,957,966	\$ -	\$ 4,957,966
Restricted cash and investments	\$ 1,989,298	\$ -	\$ 1,989,298	\$ 375,479	\$ 2,364,777
Cash with fiscal agent	\$ 101,649	\$ 2,564,805	\$ 2,666,454	\$ -	\$ 2,666,454

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

Deposits and investments were categorized as follows at June 30, 2014:

Investment Type	Fair Value	Investment Maturities (in years) 1 year or less
Cash:		
Cash Deposits	\$ 2,898,068	\$ 2,898,068
Petty Cash	2,855	2,855
Total cash	2,900,923	2,900,923
Investments:		
Local Agency Investment Funds	2,057,043	2,057,043
Total investments	2,057,043	2,057,043
Total cash and investments	\$ 4,957,966	\$ 4,957,966
Restricted Cash:		
Cash Deposits	\$ 2,364,777	\$ 2,364,777
Total restricted cash	\$ 2,364,777	\$ 2,364,777
Cash with Fiscal Agent:		
Money Market Funds	\$ 2,666,454	\$ 2,666,454
Total cash with fiscal agent	\$ 2,666,454	\$ 2,666,454

**B. Cash Deposits**

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

At June 30, 2014, the carrying amount of the City's deposits was \$2,898,068. Bank balances before reconciling items were \$1,817,083 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

***B. Cash Deposits (Continued)***

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

***C. Investments***

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

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

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

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

Realized gain/(loss) on matured/sold investments	\$	-
Unrealized gain/(loss) in changes in fair value of investments		615
Net gain/(loss)		615
Interest income		4,955
Total investment income	\$	5,570

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.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**C. Investments (Continued)**

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

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

*Deposits held by Fiscal Agent.* The deposits held by fiscal agents in the amount of \$2,666,454 are to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable City ordinances, resolutions, or bond indentures.

**D. Risk Disclosures**

*Interest Rate Risk:* 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, 2014, 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**

The City's investments are carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included as income for the fiscal year. Changes in value in the fiscal year ended June 30, 2014, amounted to an unrealized gain of \$615.



**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

The City’s investments with Local Agency Investment Funds (LAIF) at June 30, 2014, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

As of June 30, 2014, the City had \$2,057,043 invested in LAIF, which had invested 1.09% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.00029875 was used to calculate the fair value of the investments in LAIF.

**Note 3 – Interfund Transactions**

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

At June 30, 2014, the City had the following short-term interfund receivables and payables:

	Due To		
Due From	Governmental Activities		
	Non-Major	Measure H	Total
Governmental Activities			
General	\$ 10,546	\$ -	\$ 10,546
Business-Type Activities			
Sewer	-	100,676	100,676
Totals	\$ 10,546	\$ 100,676	\$ 111,222

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**B. Long-Term Advances**

At June 30, 2014, the City had the following long-term interfund advances:

Advances From Other Funds	Advances to Other Funds		
	Governmental Activities		
	Measure J	Non-Major	Total
Governmental Activities			
General Fund	\$ -	\$ 127,869	\$ 127,869
Internal Service Fund	129,318	243,972	373,290
Totals	<u>\$ 129,318</u>	<u>\$ 371,841</u>	<u>\$ 501,159</u>

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

**C. Transfers In and Out**

At June 30, 2014, the City had the following transfers:

Transfers Out	Transfers In					Total
	Governmental Activities				Business-Type Activities	
	General Fund	Transportation Development	Non-Major	Internal Service Fund	Sewer	
Governmental Activities						
General Fund	\$ -	\$ -	\$ 25,581	\$ 80,019	\$ -	\$ 105,600
Non-Major	309,628	12,428	-	-	-	322,056
Business-Type Activities						
Water	-	-	-	80,019	-	80,019
Sewer	-	-	-	80,020	-	80,020
Measure H	-	-	-	-	484,498	484,498
Totals	<u>\$ 309,628</u>	<u>\$ 12,428</u>	<u>\$ 25,581</u>	<u>\$ 240,058</u>	<u>\$ 484,498</u>	<u>\$ 1,072,193</u>

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

**Note 4 – Capital Assets**

**A. Government-Wide Financial Statements**

At June 30, 2014, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land and improvements	\$ 12,831,451	\$ 2,328,974	\$ 15,160,425
Construction in progress	7,449,202	1,313,645	8,762,847
Total non-depreciable assets	<u>20,280,653</u>	<u>3,642,619</u>	<u>23,923,272</u>
Depreciable Assets:			
Building and structures	12,111,000	73,822,014	85,933,014
Machinery and equipment	3,447,288	984,573	4,431,861
Infrastructure	9,694,246	47,542,226	57,236,472
	25,252,534	122,348,813	147,601,347
Less accumulated depreciation	<u>(9,062,925)</u>	<u>(57,590,695)</u>	<u>(66,653,620)</u>
Total depreciable assets, net	<u>16,189,609</u>	<u>64,758,118</u>	<u>80,947,727</u>
Total capital assets	<u>\$ 36,470,262</u>	<u>\$ 68,400,737</u>	<u>\$ 104,870,999</u>

In fiscal year ended June 30, 2014, the City counted, valued and reported its capital assets, including infrastructure for its business-type activities, as shown in the following tables.

**Governmental Activities**

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-Depreciable Assets:				
Land and improvements	\$ 12,805,680	\$ 25,771	\$ -	\$ 12,831,451
Construction in progress	6,216,513	1,232,689	-	7,449,202
Total non-depreciable assets	<u>19,022,193</u>	<u>1,258,460</u>	<u>-</u>	<u>20,280,653</u>
Depreciable Assets:				
Building and structures	12,111,000	-	-	12,111,000
Machinery and equipment	3,444,772	51,516	(49,000)	3,447,288
Infrastructure	9,694,246	-	-	9,694,246
Total depreciable assets	25,250,018	51,516	(49,000)	25,252,534
Less accumulated depreciation	<u>(8,521,857)</u>	<u>(541,068)</u>	<u>-</u>	<u>(9,062,925)</u>
Total depreciable assets, net	<u>16,728,161</u>	<u>(489,552)</u>	<u>(49,000)</u>	<u>16,189,609</u>
Total capital assets	<u>\$ 35,750,354</u>	<u>\$ 768,908</u>	<u>\$ (49,000)</u>	<u>\$ 36,470,262</u>

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

**Governmental Activities (Continued)**

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2014 was as follows:

General government	\$	260,615
Public safety		32,068
Highways and street		209,555
Community Development		27,657
Parks and recreation		<u>11,173</u>
Total	\$	<u>541,068</u>

**Business-Type Activities**

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

	Balance <u>July 1, 2013</u>	Additions	Deletions	Balance <u>June 30, 2014</u>
Non-Depreciable Assets:				
Land and improvements	\$ 2,328,974	\$ -	\$ -	\$ 2,328,974
Construction in progress	<u>646,206</u>	<u>667,439</u>	<u>-</u>	<u>1,313,645</u>
Total non-depreciable assets	<u>2,975,180</u>	<u>667,439</u>	<u>-</u>	<u>3,642,619</u>
Depreciable Assets:				
Building and structures	73,822,014	-	-	73,822,014
Machinery and equipment	953,120	32,453	(1,000)	984,573
Infrastructure	<u>47,542,226</u>	<u>-</u>	<u>-</u>	<u>47,542,226</u>
Total depreciable assets	122,317,360	32,453	(1,000)	122,348,813
Less accumulated depreciation	<u>(55,366,621)</u>	<u>(2,224,074)</u>	<u>-</u>	<u>(57,590,695)</u>
Total depreciable assets, net	<u>66,950,739</u>	<u>(2,191,621)</u>	<u>(1,000)</u>	<u>64,758,118</u>
Total capital assets	<u>\$ 69,925,919</u>	<u>\$ (1,524,182)</u>	<u>\$ (1,000)</u>	<u>\$ 68,400,737</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2014, were as follows:

Water	\$	269,826
Sewer		<u>1,954,248</u>
Total	\$	<u>2,224,074</u>

**B. Fund Financial Statements**

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

**Note 5 – Long Term Debt**

**A. Government-Wide Financial Statements**

Following is a summary of all long-term debt balances for the fiscal year ended June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 490,467	\$ 1,802,855	\$ 2,293,322
Noncurrent portion of long-term debt			
Compensated absences	980,357	-	980,357
1997 State Revolving Loan	-	823,512	823,512
2006 State Revolving Loan	-	38,407,376	38,407,376
2006 Sewer Revenue Bonds	-	17,215,000	17,215,000
Capital Lease	584,339	348,578	932,917
2008 Vactor Truck	-	14,118	14,118
Total noncurrent portion of long-term debt	1,564,696	56,808,584	58,373,280
Total long-term debt	<u>\$ 2,055,163</u>	<u>\$ 58,611,439</u>	<u>\$ 60,666,602</u>

**Governmental Activities**

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due within one year	Due in more than one year
Compensated Absences	\$ 1,381,038	\$ -	\$ 356	\$ 1,380,682	\$ 400,325	\$ 980,357
Capital Lease	760,254	-	85,773	674,481	90,142	584,339
Energy Commission Loan	3,726	-	3,726	-	-	-
Total	<u>\$ 2,145,018</u>	<u>\$ -</u>	<u>\$ 89,855</u>	<u>\$ 2,055,163</u>	<u>\$ 490,467</u>	<u>\$ 1,564,696</u>

**Business-Type Activities**

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due within one year	Due in more than one year
1997 State Revolving Loan	\$ 1,204,723	\$ -	\$ 188,159	\$ 1,016,564	\$ 193,052	\$ 823,512
2006 State Revolving Loan	41,464,638	-	1,528,631	39,936,007	1,528,631	38,407,376
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	-	17,215,000
Capital Lease	453,768	-	51,289	402,479	53,901	348,578
2008 Vactor Truck	67,424	-	26,035	41,389	27,271	14,118
Total	<u>\$ 60,405,553</u>	<u>\$ -</u>	<u>\$ 1,794,114</u>	<u>\$ 58,611,439</u>	<u>\$ 1,802,855</u>	<u>\$ 56,808,584</u>

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

Compensated Absences

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$1,380,682. The City typically uses the General Fund to liquidate compensated absences.

Capital Leases

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 144,043	\$ 52,429	\$ 196,472
2016	151,379	45,093	196,472
2017	159,089	37,383	196,472
2018	167,192	29,280	196,472
2019	175,708	20,764	196,472
2020-2021	279,549	14,225	293,774
Total	<u>\$ 1,076,960</u>	<u>\$ 199,174</u>	<u>\$ 1,276,134</u>

The City secured a capital lease in the amount of \$195,394 with an interest rate of 4.69% in order to finance a new Vactor Truck for the Public Works Department. The multipurpose Vactor Truck has improved the routine maintenance of the City's sewer collection lines and storm drains. Principal and interest payments are due in November and April each year. The annual debt service requirements for the 2008 Vactor Truck Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 27,271	\$ 1,625	\$ 28,896
2016	14,118	331	14,449
Total	<u>\$ 41,389</u>	<u>\$ 1,956</u>	<u>\$ 43,345</u>

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

Capital Leases (Continued)

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

	June 30, 2014
Building and structures	\$ 2,052,000
Machinery and equipment	195,394
Assets under capitalized lease, at cost	2,247,394
Accumulated depreciation	(683,942)
Assets under capitalized lease, net	\$ 1,563,452

Energy Commission Loan

In 2005, the City secured an Energy Commission Loan in the amount of \$54,500 with an interest 3.95% to retrofit the Center Street Parking Structure with energy efficient lighting. Principal and interest payments are due in June and December each year. The loan was paid in full in Fiscal Year 2013/2014.

Revenue Bonds Payable

On March 14, 2006, the Placerville PFA issued the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds in the amount of \$17,215,000 pursuant to an Indenture by and between the Placerville PFA and Union Bank of California, N.A. as Trustee. A portion of the proceeds from the Bonds were used to refinance the Series 1994 Sewer Revenue Refunding and Phase II Improvement Bonds. The remainder of the Bond proceeds are being used to partially finance State mandated improvements to the City's Wastewater Treatment Plant, relocate and replace a section of sewer line along Hangtown Creek, and construct other capital projects related to the Wastewater System. The bonds are payable solely from wastewater net revenues and are payable through 2034. Annual interest payments for the Fiscal Year ended June 30, 2014, required 33.89% of net revenues. The total remaining principal and interest to be paid on the bonds is \$31,490,113. Interest paid for the current year and total net revenues were \$830,657 and \$2,451,378, respectively. Principal payments are due September 1 of each year beginning in 2018 and interest payments ranging from 4.00% to 5.00% are due March 1 and September 1 of each year. The annual debt service requirements for the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2015	\$ -	\$ 830,657	\$ 830,657
2016	-	830,657	830,657
2017	-	830,657	830,657
2018	-	830,657	830,657
2019	97,500	830,657	928,157
2020-2024	1,102,500	4,046,066	5,148,566
2025-2029	2,360,000	3,775,501	6,135,501
2030-2034	12,270,000	2,231,009	14,501,009
2035	1,385,000	69,252	1,454,252
Total	\$ 17,215,000	\$ 14,275,113	\$ 31,490,113

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

1997 State Revolving Loans

In 1997, the City secured a State Revolving Loan in the amount of \$3,247,671 and an interest rate of 2.6% to construct improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2019. Annual principal and interest payments on the loan for the fiscal year ended June 30, 2014, required 8.95% of net revenues. The total remaining principal and interest to be paid on the loan is \$1,097,202. Principal and interest paid for the current year and total net revenues were \$219,482 and \$2,451,378, respectively. Principal and interest payments are due in February of each year. The annual debt service requirements for the 1997 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 193,051	\$ 26,431	\$ 219,482
2016	198,071	21,411	219,482
2017	203,221	16,261	219,482
2018	208,504	10,978	219,482
2019	213,717	5,557	219,274
Total	<u>\$ 1,016,564</u>	<u>\$ 80,638</u>	<u>\$ 1,097,202</u>

2006 State Revolving Loans

In 2006, the City secured a State Revolving Loan in the amount of \$42,864,638 with an interest rate of 0.00% to partially finance improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2040. Annual principal payments on the loan for the fiscal year ended June 30, 2014, required 62.36% of net revenues. The total remaining principal to be paid on the loan is \$39,936,007. Principal paid for the current year and total net revenues were \$1,528,631 and \$2,451,378 respectively. Principal payments are due in September and March of each year.

The annual debt service requirements for the 2006 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,528,631	\$ -	\$ 1,528,631
2016	1,528,631	-	1,528,631
2017	1,528,631	-	1,528,631
2018	1,528,631	-	1,528,631
2019	1,528,631	-	1,528,631
2020-2024	7,643,156	-	7,643,156
2025-2029	7,643,156	-	7,643,156
2030-2034	7,643,156	-	7,643,156
2035-2039	7,643,156	-	7,643,156
2040	1,720,228	-	1,720,228
Total	<u>\$ 39,936,007</u>	<u>\$ -</u>	<u>\$ 39,936,007</u>



**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

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

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,892,996	\$ 911,142	\$ 2,804,138
2016	1,892,199	897,492	2,789,691
2017	1,890,941	884,301	2,775,242
2018	1,904,327	870,915	2,775,242
2019	2,015,556	856,978	2,872,534
2020-2024	9,025,205	4,060,291	13,085,496
2025-2029	10,003,156	3,775,501	13,778,657
2030-2034	19,913,156	2,231,009	22,144,165
2035-2039	9,028,156	69,252	9,097,408
2040	1,720,228	-	1,720,228
Total	<u>\$ 59,285,920</u>	<u>\$ 14,556,881</u>	<u>\$ 73,842,801</u>

**B. Fund Financial Statements**

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

**Note 6 – Rule 20A Work Credit**

The City receives annual Rule 20A credits from its electricity provider, Pacific Gas & Electric (PG&E). The credits can be accumulated and applied in-kind toward the replacement of existing overhead electric facilities with underground electric facilities along public streets and roads, and on public lands. The balance of the credit as of June 30, 2014 is \$46,440.

**Note 7 – Retirement Plan**

**A. 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.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 7 – Retirement Plan (Continued)**

***B. Funding Policy***

Active “classic” plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual creditable salary. The City makes the required contributions on behalf of employees who were hired on or before October 14, 2011, which amounted to \$257,824 for the year ended June 30, 2014. The City is required to contribute at an actuarially determined rate of 21.260% and 30.701% of annual covered payroll for miscellaneous and safety employees hired on or before October 14, 2011, respectively in Fiscal Year 2013/2014. In 2011, the City established a second tier or lower benefit retirement plans for new “classic” employees. Active “classic” plan employees hired on or after October 15, 2011, are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual creditable salary. The City is required to contribute for Fiscal Year 2013/2014 at an actuarially determined rate of 10.773% and 20.774% of annual covered payroll for “classic” miscellaneous and safety employees hired on or after October 15, 2011, respectively. In 2012, the Public Employees’ Pension Reform Act (AB 340), was passed by the State legislature which established lower cost retirement benefit formulas and requires new employees hired on or after January 1, 2013, to contribute 50% of the actuarially expected normal cost of the retirement plan. New employees hired on or after January 1, 2013, were required by State statute to contribute 6.50% for miscellaneous and 11.50% for safety employees of their annual creditable salary for Fiscal Year 2013/2014. The City is required to contribute equal percentages of annual covered payroll, 6.50% and 11.50%, for new miscellaneous and safety member employees respectively who are hired on or after January 1, 2013.

***C. Annual Pension Cost***

For 2013/2014, the City’s annual pension cost of \$854,489 for PERS was equal to the City’s annual required contribution. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.30% to 14.20% for both miscellaneous and safety employees depending on age, service, and type of employment, and (c) 3.00% cost of living adjustment for retirees. Both (a) and (b) included an inflation component of 2.75%. 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, 2011, was 21 years for both miscellaneous and safety employees for prior and current service unfunded liabilities.

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,123,507	100%	\$ -
June 30, 2013	1,126,651	100%	-
June 30, 2014	1,174,720	100%	-

**Note 8 – 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 \$17,500 of their annual compensation into the deferred compensation plan.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 8 – Deferred Compensation Plan (Continued)**

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 \$3,005,368 at June 30, 2014, have been removed from the basic financial statements of the City, with no impact on fund equity.

**Note 9 – Post-Retirement Medical Care Benefits**

**A. Plan Description**

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

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

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

**B. Funding Policy**

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

The City is evaluating various options for funding the post-retirement medical benefits liability. The City has not established a trust for purposes of funding the required retiree medical insurance contribution but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans on funding a portion or all of the Annual Required Contribution each year based upon projections from the July 1, 2012, actuarial valuation study performed by Demsey, Filliger & Associates.

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

**Note 9 – Post-Retirement Medical Care Benefits (Continued)**

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

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

Annual required contribution	\$	321,019
Interest on net OPEB obligation		18,902
Adjustments to annual required contribution		<u>(27,328)</u>
Annual OPEB cost (expense)		312,593
Contribution made		<u>(155,798)</u>
Increase (decrease) in net OPEB obligation		156,795
Net OPEB obligation - beginning of year		<u>472,554</u>
Net OPEB obligation - end of year	\$	<u><u>629,349</u></u>

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contributed	Net OPEB Obligation
6/30/2012	\$ 281,259	\$ (185,978)	66%	\$ 318,424
6/30/2013	315,342	(161,212)	51%	472,554
6/30/2014	312,593	(155,798)	50%	629,349

**D. Funded Status and Funding Progress**

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

<b>Schedule of Funding Progress</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2012	\$ -	\$ 2,472,921	\$ 2,472,921	0%	\$ 4,910,289	50.36%

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 9 – Post-Retirement Medical Care Benefits (Continued)**

***E. Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

***F. Actuarial Cost Method***

In the July 1, 2012, actuarial valuation, the actuarial cost shown in the report were developed using the projected unit credit cost method. The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level dollar open period

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

A discount rate of 4.00% was assumed. This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively. Pre-retirement turnover was based on 140% of the Crocker-Sarason Table T-5 less mortality. The pre-retirement mortality was based on the male and female tables from the RP-2000 Combined Mortality, static projection to 2012 by scale AA. The post-retirement mortality was based on the male and female tables from the RP-2000 Combined Mortality, static projection to 2012 by scale AA.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

**Note 10 – Classification of Fund Balance and Other Fund Disclosures**

In governmental funds, fund balances are classified as follows:

	Major Funds				Total
	General	Transportation Development	Measure J	Non-Major	
<i>Nonspendable</i>					
Prepaid expenses	\$ 127,191	\$ -	\$ -	\$ -	\$ 127,191
Long-term receivable	10,546	-	-	-	10,546
Advances to other funds	127,869	-	-	-	127,869
Rule 20A Work Credit	-	-	-	46,440	46,440
Total	<u>265,606</u>	<u>-</u>	<u>-</u>	<u>46,440</u>	<u>312,046</u>
<i>Restricted</i>					
Transportation	-	13,075	-	-	13,075
Police services	-	-	282,754	-	282,754
Gas Tax	-	-	-	220,617	220,617
Development Impact	-	-	-	281,500	281,500
Grants	-	-	-	213,129	213,129
BAD, CFD, & LLMD	-	-	-	123,906	123,906
Park Development	-	-	-	25,378	25,378
Total	<u>-</u>	<u>13,075</u>	<u>282,754</u>	<u>864,530</u>	<u>1,160,359</u>
<i>Committed</i>					
Capital projects	-	-	-	96,211	96,211
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,211</u>	<u>96,211</u>
<i>Unassigned</i>					
	<u>1,417,522</u>	<u>-</u>	<u>-</u>	<u>(293,069)</u>	<u>1,124,453</u>
<b>Total fund balances</b>	<u><u>\$ 1,683,128</u></u>	<u><u>\$ 13,075</u></u>	<u><u>\$ 282,754</u></u>	<u><u>\$ 714,112</u></u>	<u><u>\$ 2,693,069</u></u>

**Encumbrances**

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

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either nonspendable, committed, restricted or assigned and are included in the respective functional categories. These encumbrances are not separately classified in the financial statements, and are summarized at June 30, 2014 as follows:

Fund	Amount
Transportation Development	\$ 545,013
Non-Major	519,529
Total encumbrances	<u><u>\$ 1,064,542</u></u>

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 10 – Classification of Fund Balance and Other Fund Disclosures (Continued)**

**Capital Commitments**

The City is undertaking a number of capital improvement projects, the most significant of which include the following capital project commitments outstanding at June 30, 2014:

Projects	Amount
City Street Bridge	\$ 423,953
Western Placerville Interchange, PS&E Phase	1,097,086
Placerville Station II	811,675
Placerville Drive Bridge Widening	31,773
Central Main Street Overlay	226,574
Total Commitments	\$ 2,591,061

**Fund Equity Deficits**

The Parking District Special Revenue Fund, which is a non-major fund, has an accumulated deficit of \$(293,069) at June 30, 2014. This amount will be offset with charges for services increases in future years.

**Note 11 – Risk Management**

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

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

The following provides a reconciliation of claims payable, which are recorded as an Internal Service Fund, for the three years ended June 30, 2012, 2013, and 2014:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments For Current and Prior Years	End of Year Liability
2011-2012	\$ 387,519	\$ 87,200	\$ (166,267)	\$ 308,452
2012-2013	308,452	271,969	(321,998)	258,423
2013-2014	258,423	66,651	(49,787)	275,287

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**Northern California Cities Self Insurance Fund**

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

*Shared Risk Pool* - Each member is assessed a contribution which is intended to cover its share of the Authority's claims, operating costs and claim settlement expenses. Contributions are based on an actuarially determined rate for each coverage layer (pool), based on an estimate of the probable losses and expenses to be borne by that pool for the claim year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study. Losses are allocated on the basis of each participant's 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. The following is a summary of financial information of the Authority as of and for the year ended June 30, 2014:

Total Assets (Primary Investments)	\$ 46,940,001
Total Liability	36,876,069
Net Position	10,063,932
Total Revenues	16,575,511
Total Expenses	13,905,087
Net Income (Loss)	2,670,424

**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 \$35 million. The first one million dollar layer, in excess of the City's \$50,000 retention, per occurrence is covered by PARSAC. The second layer of four million dollars is insured by the California State Association of Counties (CSAC-EIA). The third layer of ten million dollars is covered with reinsurance by Ironshore Indemnity. The fourth excess layer of ten million dollars is covered with reinsurance by Starr Indemnity & Liability. The fifth excess layer of ten million dollars is insured by CLIP. 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.



**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**Public Agency Risk Sharing Authority of California (Continued)**

The following is a summary of audited financial information of PARSAC as of and for the year ended June 30, 2014:

Total Assets (Primary Investments)	\$ 38,815,798
Total Liability	17,479,458
Net Position	21,336,340
Total Revenues	12,083,405
Total Expenses	12,756,709
Net Income (Loss)	(673,304)

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

**El Dorado County Fire Protection District**

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

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

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

For the year ended June 30, 2014, City property tax revenue assigned to the District amounted to approximately \$1,426,288.

**El Dorado County Transit Authority**

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

**El Dorado County Transportation Commission**

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 13 - Contingencies**

**A. Legal Actions**

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

**B. Federal Grants**

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

**C. Proposition 62**

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

**D. Proposition 218**

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

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

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**Limited Obligation Assessment Bonds and Revenue Bonds**

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

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

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

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

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

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

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

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

**Defaults**

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

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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

**Limited Obligation Assessment Bonds and Revenue Bonds (Continued)**

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 drawdowns of reserve funds, also occurred as a result of nonpayment of assessments by owners of property within the City's Assessment District 94-1.

Due to property owners' continued nonpayment of assessments and supplemental assessments, the City defaulted on the required cash flows for the payment of the City's Limited Obligation Original and Supplemental Assessment Bonds. When property owners fail to pay their assessments, the Assessment Bonds are not being paid and therefore there are no, or insufficient, cash flows to pay the Authority's Revenue Bonds (other than funds held by the Trustee). As necessary, the Revenue Bond Reserve Fund is drawn down to pay the bondholders until the Fund is depleted.

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

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

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

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.

**CITY OF PLACERVILLE**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 15 – Prior Period Adjustments**

The City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities during the year ended June 30, 2014. Under the new pronouncement, bond issuance costs are recognized as expenses in the year they are incurred instead of deferring and amortizing over the life of the debt. The unamortized bond issuance costs at July 1, 2013 was \$443,193. Accordingly, net position at July 1, 2013 was restated as follows:

	Government-Wide Statement of Net Position	
	Business-Type Activities	Sewer Enterprise Fund
Net Position, As Originally Reported	\$ 17,631,736	\$ 11,760,350
Restatement:		
Implementation of GASB 65	(443,193)	(443,193)
Net Position, As Restated	\$ 17,188,543	\$ 11,317,157

**Note 16 – Subsequent Event**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this Standard on the financial statements and believes that its impact, when adopted, may be substantial to the City. GASB Statement No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF PLACERVILLE**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2014**

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**Note 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 do not include depreciation.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2014, proceeds of taxes did not exceed allowable appropriations.

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



**CITY OF PLACERVILLE**  
**Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2014**

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**Note 2 – Schedule of Funding Progress**

**A. Funded Status of Plan – Safety and Miscellaneous Employees**

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City’s safety and miscellaneous employees is not available.

**B. Funded Status of Plan – Other Post Employment Benefits**

<b>Schedule of Funding Progress</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	\$ -	\$ 2,179,162	\$ 2,179,162	0%	\$ 5,216,335	41.78%
7/1/2012	-	2,472,921	2,472,921	0%	4,910,289	50.36%

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Property taxes	\$ 183,300	\$ 197,922	\$ 213,933	\$ 16,011
Sales tax	3,516,353	3,706,463	3,740,000	33,537
Transient occupancy taxes	134,000	140,992	158,606	17,614
Other taxes	173,000	181,975	180,448	(1,527)
Franchise fees	264,000	265,593	273,379	7,786
Licenses and permits	87,500	95,152	100,252	5,100
Fines and forfeitures	141,800	108,802	112,718	3,916
Use of money and property:				
Interest earnings	500	500	734	234
Rentals and concessions	45,330	52,023	73,913	21,890
Intergovernmental	791,896	801,106	778,458	(22,648)
Charges for services	694,517	691,564	696,635	5,071
Other revenue	730,897	758,114	577,000	(181,114)
<b>Total Revenues</b>	<u>6,763,093</u>	<u>7,000,206</u>	<u>6,906,076</u>	<u>(94,130)</u>
<b>Expenditures:</b>				
General government	2,145,151	2,129,381	1,888,293	241,088
Public safety	2,373,683	2,322,832	2,379,546	(56,714)
Highways and streets	509,826	509,737	485,644	24,093
Community development	508,025	516,459	486,659	29,800
Parks and recreation	1,508,666	1,527,676	1,452,847	74,829
<b>Total Expenditures</b>	<u>7,045,351</u>	<u>7,006,085</u>	<u>6,692,989</u>	<u>313,096</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(282,258)</u>	<u>(5,879)</u>	<u>213,087</u>	<u>218,966</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	389,628	309,628	309,628	-
Transfers out	(107,370)	(194,874)	(105,600)	89,274
<b>Total Other Financing Sources (Uses)</b>	<u>282,258</u>	<u>114,754</u>	<u>204,028</u>	<u>89,274</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 108,875</u>	<u>417,115</u>	<u>\$ 308,240</u>
<b>Fund Balance:</b>				
Beginning of year			<u>1,266,013</u>	
End of year			<u>\$ 1,683,128</u>	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget and Actual - Transportation Development Fund**  
**For the Year Ended June 30, 2014**

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	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Use of money and property:				
Interest earnings	\$ -	\$ 800	\$ 842	\$ 42
Intergovernmental	30,000	3,400,000	3,408,843	8,843
<b>Total Revenues</b>	30,000	3,400,800	3,409,685	8,885
<b>Expenditures:</b>				
Highways and streets	30,000	3,450,000	3,448,787	1,213
<b>Total Expenditures</b>	30,000	3,450,000	3,448,787	1,213
<b>Revenues Over (Under) Expenditures</b>	-	(49,200)	(39,102)	10,098
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	12,428	(12,428)
<b>Total Other Financing Sources (Uses)</b>	-	-	12,428	-
<b>Change in Fund Balance</b>	\$ -	\$ (49,200)	(26,674)	\$ 10,098
<b>Fund Balance:</b>				
Beginning of year			39,749	
End of year			\$ 13,075	

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Change in Fund Balance**  
**Budget and Actual - Measure J Fund**  
**For the Year Ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Sales tax	\$ 897,261	\$ 919,180	\$ 934,395	15,215
Use of money and property:				
Interest earnings	-	145	145	-
Grant Revenue	-	-	5,000	
Other revenue	-	5,000	-	(5,000)
<b>Total Revenues</b>	<u>897,261</u>	<u>924,325</u>	<u>939,540</u>	<u>10,215</u>
<b>Expenditures:</b>				
General government	8,973	9,192	9,437	(245)
Public safety	866,416	820,116	743,714	76,402
<b>Total Expenditures</b>	<u>875,389</u>	<u>829,308</u>	<u>753,151</u>	<u>76,157</u>
<b>Revenues Over (Under) Expenditures</b>	<u>21,872</u>	<u>95,017</u>	<u>186,389</u>	<u>86,372</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, net	(21,872)	(8,000)	-	8,000
<b>Total Other Financing Sources (Uses)</b>	<u>(21,872)</u>	<u>(8,000)</u>	<u>-</u>	<u>8,000</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 87,017</u>	186,389	<u>\$ 94,372</u>
<b>Fund Balance:</b>				
Beginning of year			<u>96,365</u>	
End of year			<u>\$ 282,754</u>	

**SUPPLEMENTARY  
INFORMATION**

**CITY OF PLACERVILLE**

**Balance Sheet  
Non-Major Funds  
June 30, 2014**

	Special Revenue Funds				
	Gas Tax	Development Impact	Parking District	Grants	BAD, CFD, & LLMD
<b>Assets:</b>					
Cash and investments	\$ 185,697	\$ 108,146	\$ 7,308	\$ 168,157	\$ 128,699
Restricted:					
Deposits held by fiscal agents	-	-	-	-	-
Receivables:					
Accounts	34,855	-	21,501	1	1,315
Interest	65	27	-	-	26
Loans	-	-	-	904,017	-
Grants	-	196,547	-	254,326	-
Rule 20A Work Credit	-	-	-	46,440	-
<b>Total Assets</b>	<b>\$ 220,617</b>	<b>\$ 304,720</b>	<b>\$ 28,809</b>	<b>\$ 1,372,941</b>	<b>\$ 130,040</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 23,220	\$ 10,778	\$ -	\$ 6,134
Deposits	-	-	2,259	-	-
Restricted:					
Due to other funds	-	-	-	10,546	-
Advances from other funds	-	-	308,841	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>23,220</b>	<b>321,878</b>	<b>10,546</b>	<b>6,134</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	-	-	1,102,826	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,102,826</b>	<b>-</b>
<b>Fund Balances (Deficit):</b>					
Nonspendable	-	-	-	46,440	-
Restricted	220,617	281,500	-	213,129	123,906
Committed	-	-	-	-	-
Unassigned	-	-	(293,069)	-	-
<b>Total Fund Balances (Deficit)</b>	<b>220,617</b>	<b>281,500</b>	<b>(293,069)</b>	<b>259,569</b>	<b>123,906</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	<b>\$ 220,617</b>	<b>\$ 304,720</b>	<b>\$ 28,809</b>	<b>\$ 1,372,941</b>	<b>\$ 130,040</b>

**CITY OF PLACERVILLE**

**Balance Sheet  
Non-Major Funds  
June 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Capital</u>	<u>Park</u>	
	<u>Projects</u>	<u>Development</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 44,570	\$ 5,347	\$ 647,924
Restricted:			
Deposits held by fiscal agents	101,649	-	101,649
Receivables:			
Accounts	-	-	57,672
Interest	-	-	118
Loans	-	-	904,017
Grants	-	33,031	483,904
Rule 20A Work Credit	-	-	46,440
<b>Total Assets</b>	<u>\$ 146,219</u>	<u>\$ 38,378</u>	<u>\$ 2,241,724</u>
<b>Liabilities:</b>			
Accounts payable	\$ 8	\$ -	\$ 40,140
Deposits	-	-	2,259
Restricted:			
Due to other funds	-	-	10,546
Advances from other funds	50,000	13,000	371,841
<b>Total Liabilities</b>	<u>50,008</u>	<u>13,000</u>	<u>424,786</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	-	1,102,826
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>1,102,826</u>
<b>Fund Balances (Deficit):</b>			
Nonspendable	-	-	46,440
Restricted	-	25,378	864,530
Committed	96,211	-	96,211
Unassigned	-	-	(293,069)
<b>Total Fund Balances (Deficit)</b>	<u>96,211</u>	<u>25,378</u>	<u>714,112</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	<u>\$ 146,219</u>	<u>\$ 38,378</u>	<u>\$ 2,241,724</u>

**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds				
	Gas Tax	Development Impact	Parking District	Grants	BAD, CFD, & LLMD
<b>Revenues:</b>					
Use of money and property:					
Interest earnings	\$ 288	\$ 238	\$ -	\$ 11,827	\$ 114
Intergovernmental	348,231	-	-	58,214	-
Charges for services	-	75,641	119,898	-	60,053
Grant revenue	-	258,892	-	235,220	-
Other revenue	-	20	-	-	-
<b>Total Revenues</b>	<b>348,519</b>	<b>334,791</b>	<b>119,898</b>	<b>305,261</b>	<b>60,167</b>
<b>Expenditures:</b>					
General government	-	-	-	-	-
Public safety	-	-	-	217,037	-
Highways and streets	92	318,407	150,834	-	53,135
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
<b>Total Expenditures</b>	<b>92</b>	<b>318,407</b>	<b>150,834</b>	<b>217,037</b>	<b>53,135</b>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>348,427</b>	<b>16,384</b>	<b>(30,936)</b>	<b>88,224</b>	<b>7,032</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	581	-	25,000	-	-
Transfers out	(309,628)	(3,800)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(309,047)</b>	<b>(3,800)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>
<b>Changes in Fund Balances</b>	<b>39,380</b>	<b>12,584</b>	<b>(5,936)</b>	<b>88,224</b>	<b>7,032</b>
<b>Fund Balances (Deficit):</b>					
Beginning of year	181,237	268,916	(287,133)	171,345	116,874
End of year	<u>\$ 220,617</u>	<u>\$ 281,500</u>	<u>\$ (293,069)</u>	<u>\$ 259,569</u>	<u>\$ 123,906</u>



**CITY OF PLACERVILLE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Non-Major Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds		Total
	Capital	Park	
	Projects	Development	
<b>Revenues:</b>			
Use of money and property:			
Interest earnings	\$ -	\$ -	\$ 12,467
Intergovernmental	-	-	406,445
Charges for services	-	5,265	260,857
Grant revenue	-	62,834	556,946
Other revenue	-	-	20
<b>Total Revenues</b>	<b>-</b>	<b>68,099</b>	<b>1,236,735</b>
<b>Expenditures:</b>			
General government	14,642	-	14,642
Public safety	-	-	217,037
Highways and streets	-	-	522,468
Community development	-	-	-
Parks and recreation	24,191	73,629	97,820
<b>Total Expenditures</b>	<b>38,833</b>	<b>73,629</b>	<b>851,967</b>
<b>Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>(38,833)</b>	<b>(5,530)</b>	<b>384,768</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	25,581
Transfers out	-	(8,628)	(322,056)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(8,628)</b>	<b>(296,475)</b>
<b>Changes in Fund Balances</b>	<b>(38,833)</b>	<b>(14,158)</b>	<b>88,293</b>
<b>Fund Balances (Deficit):</b>			
Beginning of year	135,044	39,536	625,819
End of year	<u>\$ 96,211</u>	<u>\$ 25,378</u>	<u>\$ 714,112</u>