

City of Placerville

Placerville, California

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

For the year ended June 30, 2009

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

CITY OF PLACERVILLE
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For the Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Placerville, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of the City Council
of the City of Placerville
Placerville, California
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The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information, as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
March 4, 2011

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, 2009. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and to identify any material changes in the approved operating and capital budgets.

Financial Highlights – Primary Government

- The City's net assets at the end of the year were \$45.43M, a decrease of \$1.62M. The portion of the City's net assets that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled \$0.63M or 1.38%.
- The governmental net assets decreased by \$1.16M or 3.51% and the business-type net assets decreased by \$0.46M or 3.28%.
- Program revenues from governmental activities decreased \$0.37M or 8.95%. Program revenues from business-type activities increased by \$.14M or 3.20%. General revenues, net of transfers, decreased \$1.51M or 2.01%.

City Highlights

- Continued construction of the State mandated improvements to the City's Wastewater Treatment Plant, \$5.63M.
- Began the design phase of the Western Placerville Interchange project, \$0.45M.
- Completed the relocation of the sewer collection line along Hangtown Creek as part of the Highway 50 Operations project, \$0.31M.
- Completed the relocation of a water line as part of the Highway 50 Operations project, \$0.16M.
- Began construction of new public restroom at the Gold Bug Park, \$0.06M.
- Continued the design phase of the bridge widening at Clay Street and roundabout at the intersection of Main Street, Clay Street and Cedar Ravine Road, \$0.06M
- Completed the Placerville Drive Business District Special Planning project, \$0.07M.
- Began construction of the Lions Park Tot Lot project, \$0.14M.
- Continued design phase of the Blairs Lane Bridge over Hangtown Creek widening project, \$0.08M
- Completed study of water and wastewater Capital Improvement Charges (CIC), and began study of water and wastewater user rates, \$0.05M.

Overview of the Financial Statements

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has ten governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's major funds – the General Fund, the Transportation Development Fund, the Parks Development Fund, the Grants Fund, Capital Projects Fund, and Measure J Fund. Data from the other four 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* concerning the City's progress in funding its obligation to provide pension benefits to its employees, as well as providing a budgetary comparison schedule for the General Fund. Additional budgetary schedules for the General Fund and the combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-Wide Statements

Statement of Net Assets:

The City's net assets at the end of the year were \$45.43M, a decrease of \$1.62M. The governmental net assets decreased by \$1.16M or 3.51% and the business-type net assets decreased by \$0.46M or 3.28%. The decrease in governmental net assets is primarily due to a \$0.94M decrease in tax revenues. The City and its contractors completed \$7.25M in capital projects as of June 30, 2009. Please see the "Capital Assets" section below for more details.

Net Assets
June 30, 2009
(amounts expressed in thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 07/08	FY 08/09	FY 07/08	FY 08/09	FY 07/08	FY 08/09
Current assets	\$ 3,768	\$ 3,563	\$ 923	\$ 123	\$ 4,691	\$ 3,686
Restricted Assets	5,962	4,541	6,167	4,609	12,129	9,150
Capital assets	27,705	28,278	59,628	65,005	87,333	93,283
Total assets	37,435	36,382	66,718	69,737	104,153	106,119
Current liabilities	2,564	2,624	1,689	3,289	4,253	5,913
Noncurrent liabilities	1,935	1,979	50,912	52,795	52,847	54,774
Total liabilities	4,499	4,603	52,601	56,084	57,100	60,687
Net assets:						
Invested in capital assets, net of related debt	26,537	27,183	8,489	9,832	35,026	37,015
Restricted	4,819	3,184	6,167	4,608	10,986	7,792
Unrestricted	1,580	1,412	(539)	(787)	1,041	625
Total net assets	\$ 32,936	\$ 31,779	\$ 14,117	\$ 13,653	\$ 47,053	\$ 45,432

Statement of Activities and Changes of Net Assets

Program revenues from governmental activities decreased \$0.37M or 8.95%. This decrease is primarily due to a \$0.72M decrease in charges for services. General revenues, net of transfers, decreased \$0.98M or 14.35%. This net decrease is primarily due to a \$0.89M or 18.78% decrease in local sales tax. Program revenues from business-type activities increased by \$0.14M or 3.20% which was primarily due to a planned increase in wastewater user charge revenues. Business-type expenditures exceeded revenues by \$0.46M primarily due to \$0.78M in depreciation which is a non-cash expense. Water Enterprise Fund revenues exceeded expenditures by \$0.07M which was primarily due to \$0.16M in one-time grant revenue. Sewer Enterprise Fund expenditures exceeded revenues by \$0.53M which was primarily due

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 2008/2009, the City's governmental funds reported a combined ending fund balance of \$4.23M – a decrease of \$2.03M or 32.46%.

General Fund. Total fund balance for the General Fund on June 30, 2009 was \$1.19M, a decrease of \$0.33M from the prior year. Of the \$1.19M fund balance, \$1.18M is reserved for contingencies (Operating Reserve) as set by City financial policy. The \$1.18M in reserves accounts for 99.06% of the General Fund ending balance.

As a measure of the *General Fund's* liquidity, it may be useful to compare the fund balance reserves to total fund expenditures. The fund balance reserves represent 16.75% of total General Fund expenditures, net of transfers out.

Business Type Funds

The City's proprietary funds, excluding internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the business-type net assets decreased by \$0.46M.

The City's Wastewater Treatment Plant has been the subject of a cease and desist order issued by the State Water Resources Control Board (SWRCB). The order requires upgrades to the City's existing facility to improve the quality of the effluent. The upgrade project has been in existence for several years. City management and its consultants have developed rate structure changes that will increase user rates by more than 200% by the year 2013. Included in the new rates are increased costs related state-mandated changes in maintenance and operations and debt service related to state-mandated plant improvement financing. The majority of the wastewater treatment plant's antiquated equipment necessitating costly repair and maintenance are being addressed in the City's \$47.10M facility upgrade and improvement project. The three-year project began construction in the spring of 2006 and is anticipated to be completed in the summer of 2009.

Capital Assets and Debt Administration

Debt Administration

Long Term Debt - At the end of the current fiscal year, the City had \$57.35M in long term debt outstanding compared to \$53.34M last year, a \$4.01M or 7.52% net increase. The increase is largely attributed to the \$4.26M in proceeds from the 2006 State Revolving Fund Loan which is partially financing the State-mandated improvements to the Wastewater Treatment Plant. 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 2008/2009 include:

Governmental Activities

- Lions Park Tot Lot (\$0.14)
- Placerville Drive Business District Special Planning Project (\$0.07M)
- Construction in progress – Western Placerville Interchange (\$0.45M)
- Construction in progress – Roundabout at Clay Street, Main Street, & Cedar Ravine Road (\$0.06M)
- Construction in progress – Gold Bug Park Restroom (\$0.06M)
- Construction in progress – Blairs Lane Bridge Widening (\$0.08M)

Governmental Capital Assets

June 30, 2009

(amounts expressed in thousands)

	Balance			Balance
	June 30, 2008	Additions	Transfers	June 30, 2009
<i>Non-Depreciable Assets:</i>				
Land and improvements	\$ 12,406	\$ -	\$ -	\$ 12,406
Construction in progress	2,487	1,099	-	3,586
Total nondepreciable assets	14,893	1,099	-	15,992
<i>Depreciable Assets:</i>				
Buildings and structures	11,482	-	-	11,482
Machinery and equipment	3,199	33	-	3,232
Infrastructure	4,059	19	-	4,078
Total depreciable assets	18,740	52	-	18,792
	33,633	1,151	-	34,784
Less accumulated depreciation	(5,928)	(578)	-	(6,506)
Total governmental activities	\$ 27,705	\$ 573	\$ -	\$ 28,278

Business Type Activities

- Construction in progress – Wastewater Treatment Plant Improvements (\$5.63M)
- Construction in progress – Highway 50 Operations Sewer Line Relocation (\$0.31M)
- Construction in progress – Highway 50 Operations Water Line Relocation (\$0.16M)
- Construction in progress – Water and Wastewater CIC and User Rate Study (\$0.05)

Business-Type Capital Assets

June 30, 2009

(amounts expressed in thousands)

	Balance			Balance
	June 30, 2008	Additions	Transfers	June 30, 2009
<i>Non-depreciable Assets:</i>				
Land and improvements	\$ 2,197	\$ -	\$ -	\$ 2,197
Construction in progress	44,876	6,153	(174)	50,855
Total nondepreciable assets	47,073	6,153	(174)	53,052
<i>Depreciable Assets:</i>				
Buildings and structures	18,062	-	-	18,062
Machinery and equipment	928	-	-	928
Infrastructure	43,665	-	174	43,839
Total depreciable assets	62,655	-	174	62,829
	109,728	6,153	-	115,881
Less accumulated depreciation	(50,101)	(775)	-	(50,876)
Total business-type activities	\$ 59,627	\$ 5,378	\$ -	\$ 65,005

Other Information

The Placerville Public Financing Authority. As discussed in Note 13 of the *notes to the basic financial statements*, the Placerville Public Finance Authority has defaulted on certain Revenue Bonds. That default was the product of a default on certain assessment bonds issued by the City of Placerville on behalf of improvement districts created by the City in response to a petition by property owners for a specific purpose. The City is not obligated to pay the assessment bonds with any funds other than assessments levied against the properties within those districts.

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

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

The aggregate principal balance of the Revenue Bonds issued by the Authority outstanding at June 30, 2009, was \$1,658,192 which is not included in these accompanying basic financial statements.

Requests for Information

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

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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 Assets

June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 475,487	\$ 109,281	\$ 584,768
Receivables:			
Accounts	997,490	239,662	1,237,152
Interest	276	403	679
Utility billings, net	-	1,320,667	1,320,667
Prepaid expenses	6,650	-	6,650
Deferred charges	-	536,536	536,536
Internal balances	2,083,206	(2,083,206)	-
Total current assets	<u>3,563,109</u>	<u>123,343</u>	<u>3,686,452</u>
Restricted:			
Cash and investments	1,901,437	-	1,901,437
Deposits held by fiscal agents	101,649	4,186,446	4,288,095
Receivables:			
Accounts	194,246	-	194,246
Interest	2,621	-	2,621
Loans	906,239	-	906,239
Grants	202,753	421,799	624,552
Other assets	1,241,033	-	1,241,033
Total restricted assets	<u>4,549,978</u>	<u>4,608,245</u>	<u>9,158,223</u>
Capital assets:			
Nondepreciable	15,991,902	53,052,045	69,043,947
Depreciable, net	12,286,134	11,953,095	24,239,229
Total capital assets	<u>28,278,036</u>	<u>65,005,140</u>	<u>93,283,176</u>
Total Assets	<u>36,391,123</u>	<u>69,736,728</u>	<u>106,127,851</u>
Liabilities:			
Current liabilities:			
Accounts payable	245,907	875,588	1,121,495
Payroll and related taxes payable	456,429	-	456,429
Deposits	50,662	34,519	85,181
Current portion of compensated absences	437,334	-	437,334
Current portion of long-term debt	76,749	2,378,797	2,455,546
Total current liabilities	<u>1,267,081</u>	<u>3,288,904</u>	<u>4,555,985</u>
Restricted:			
Accounts payable	422,499	-	422,499
Unearned revenue	943,199	-	943,199
Total restricted liabilities	<u>1,365,698</u>	<u>-</u>	<u>1,365,698</u>
Long-term liabilities:			
Compensated absences	643,193	-	643,193
Claims payable	317,991	-	317,991
Long-term debt, net	1,018,032	52,794,576	53,812,608
Total long-term liabilities	<u>1,979,216</u>	<u>52,794,576</u>	<u>54,773,792</u>
Total Liabilities	<u>4,611,995</u>	<u>56,083,480</u>	<u>60,695,475</u>
Net Assets:			
Invested in capital assets, net of related debt	27,183,255	9,831,767	37,015,022
Restricted:			
Capital projects	1,381,217	4,608,245	5,989,462
Special projects and programs	1,803,063	-	1,803,063
Total restricted net assets	<u>3,184,280</u>	<u>4,608,245</u>	<u>7,792,525</u>
Unrestricted	1,411,593	(786,764)	624,829
Total Net Assets	<u>\$ 31,779,128</u>	<u>\$ 13,653,248</u>	<u>\$ 45,432,376</u>

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,753,084	\$ 749,893	\$ -	\$ -	\$ 749,893
Public safety	4,122,128	519,437	100,298	27,648	647,383
Highways and streets	1,315,947	335,952	358,822	593,684	1,288,458
Community development	784,634	174,684	-	16,933	191,617
Parks and recreation	1,782,576	742,426	-	158,876	901,302
Total governmental activities	10,758,370	2,522,392	459,120	797,141	3,778,653
Business-type activities:					
Water	1,580,758	1,505,844	-	-	1,505,844
Sewer	3,547,763	2,981,651	-	-	2,981,651
Total business-type activities	5,128,521	4,487,495	-	-	4,487,495
Total primary government	\$ 15,886,891	\$ 7,009,887	\$ 459,120	\$ 797,141	\$ 8,266,148

General revenues and transfers:

Taxes:

Property

Sales

Motor vehicle

Other

Total taxes

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net Assets:

Beginning of year

End of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,003,192)	\$ -	\$ (2,003,192)
(3,474,745)	-	(3,474,745)
(27,489)	-	(27,489)
(593,017)	-	(593,017)
(881,274)	-	(881,274)
<u>(6,979,717)</u>	<u>-</u>	<u>(6,979,717)</u>
-	(74,914)	(74,914)
<u>-</u>	<u>(566,112)</u>	<u>(566,112)</u>
<u>-</u>	<u>(641,026)</u>	<u>(641,026)</u>
<u>(6,979,717)</u>	<u>(641,026)</u>	<u>(7,620,743)</u>
219,829	-	219,829
3,861,624	-	3,861,624
885,315	-	885,315
<u>590,488</u>	<u>-</u>	<u>590,488</u>
5,557,256	-	5,557,256
63,982	28,003	91,985
105,512	245,665	351,177
96,110	(96,110)	-
<u>5,822,860</u>	<u>177,558</u>	<u>6,000,418</u>
(1,156,857)	(463,468)	(1,620,325)
32,935,985	14,116,716	47,052,701
<u>\$ 31,779,128</u>	<u>\$ 13,653,248</u>	<u>\$ 45,432,376</u>

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**FUNDS
FINANCIAL STATEMENTS**

CITY OF PLACERVILLE

Balance Sheet

Governmental Funds

June 30, 2009

	Major Funds				
	General	Transportation Development	Park Development	Capital Projects	Grants
Assets:					
Cash and investments	\$ 44,823	\$ 333,926	\$ 1,050	\$ 188,391	\$ 184,323
Receivables:					
Accounts	997,490	-	-	4,463	-
Interest	369	463	82	-	529
Prepaid expenses	6,650	-	-	-	-
Due from other funds	797,272	-	8,628	153,166	-
Advances to other funds	127,869	-	-	-	-
Restricted:					
Deposits held by fiscal agents	-	-	-	101,649	-
Receivables:					
Loans	-	-	-	-	906,239
Grants	-	-	58,621	-	99,592
Rule 20A work credit	-	-	-	-	1,241,033
Total Assets	\$ 1,974,473	\$ 334,389	\$ 68,381	\$ 447,669	\$ 2,431,716
Liabilities:					
Accounts payable	\$ 181,870	\$ 286,430	\$ 12,672	\$ 6,935	\$ -
Payroll and related taxes payable	456,429	-	-	-	-
Deposits	48,403	-	-	-	-
Due to other funds	100,566	8,628	-	-	-
Advances from other funds	-	-	52,000	-	-
Restricted:					
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	943,199
Total Liabilities	787,268	295,058	64,672	6,935	943,199
Fund Balances:					
Reserved	11,205	39,331	3,709	440,734	1,488,517
Unreserved	1,176,000	-	-	-	-
Total Fund Balances	1,187,205	39,331	3,709	440,734	1,488,517
Total Liabilities and Fund Balances	\$ 1,974,473	\$ 334,389	\$ 68,381	\$ 447,669	\$ 2,431,716

<u>Major Funds</u>		
<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ 445,518	\$ 748,229	\$ 1,946,260
54,300	135,483	1,191,736
579	968	2,990
-	-	6,650
-	13,334	972,400
-	-	127,869
-	-	101,649
-	-	906,239
-	44,540	202,753
-	-	1,241,033
<u>\$ 500,397</u>	<u>\$ 942,554</u>	<u>\$ 6,699,579</u>
\$ -	\$ 116,462	\$ 604,369
-	-	456,429
-	2,259	50,662
-	-	109,194
-	258,771	310,771
-	-	-
-	-	943,199
-	377,492	2,474,624
500,397	565,062	3,048,955
-	-	1,176,000
<u>500,397</u>	<u>565,062</u>	<u>4,224,955</u>
<u>\$ 500,397</u>	<u>\$ 942,554</u>	<u>\$ 6,699,579</u>

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CITY OF PLACERVILLE
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds \$ 4,224,955

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

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

Non-depreciable	15,991,902
Depreciable	18,792,217
Less accumulated depreciation	<u>(6,506,083)</u>
	<u>28,278,036</u>

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

Long-term debt - current portion - (net)	(76,749)
Long-term debt - non-current portion - (net)	(1,018,032)
Compensated absences - current and long-term portions	<u>(1,080,527)</u>
	<u>(2,175,308)</u>

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

(53,800)

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.

1,505,245

Net Assets of Governmental Activities **\$ 31,779,128**

CITY OF PLACERVILLE
Statement of Revenues, Expenses and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds				
	General	Transportation Development	Park Development	Capital Project	Grants
Revenues:					
Property taxes	\$ 219,829		\$ -	\$ -	\$ -
Sales tax	3,079,890	-	-	-	-
Transient occupancy taxes	134,801	-	-	-	-
Other taxes	203,434	-	-	-	-
Franchise fees	252,253	-	-	-	-
Licenses and permits	98,187	-	-	-	-
Fines and forfeitures	252,830	-	-	-	-
Use of money and property:					
Interest earnings	7,105	2,504	799	-	38,773
Rentals and concessions	34,955	-	-	-	-
Intergovernmental	889,898	518,799	-	-	100,298
Charges for services	965,607	-	10,560	-	-
Grant revenue	-	-	158,876	26,530	96,817
Other revenue	546,761	-	42,258	-	-
Total Revenues	<u>6,685,550</u>	<u>521,303</u>	<u>212,493</u>	<u>26,530</u>	<u>235,888</u>
Expenditures:					
General government	2,374,193	-	-	34,809	-
Public safety	2,451,518	-	-	2,381	125,609
Highways and streets	472,351	869,299	-	1,993	-
Community development	591,897	-	-	91,312	160,585
Parks and recreation	1,595,053	-	316,171	1,203	-
Total Expenditures	<u>7,485,012</u>	<u>869,299</u>	<u>316,171</u>	<u>131,698</u>	<u>286,194</u>
Revenues Over (Under)					
Expenditures	<u>(799,462)</u>	<u>(347,996)</u>	<u>(103,678)</u>	<u>(105,168)</u>	<u>(50,306)</u>
Other Financing Sources (Uses):					
Transfers in	537,546	315,000	-	4,670	-
Transfers out	(73,055)	-	-	-	(700,000)
Total Other Financing Sources (Uses)	<u>464,491</u>	<u>315,000</u>	<u>-</u>	<u>4,670</u>	<u>(700,000)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(334,971)</u>	<u>(32,996)</u>	<u>(103,678)</u>	<u>(100,498)</u>	<u>(750,306)</u>
Fund Balances:					
Beginning of year	1,522,176	72,327	107,387	541,232	2,238,823
End of year	<u>\$ 1,187,205</u>	<u>\$ 39,331</u>	<u>\$ 3,709</u>	<u>\$ 440,734</u>	<u>\$ 1,488,517</u>

<u>Major Funds</u>		
<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 219,829
781,734	-	3,861,624
-	-	134,801
-	-	203,434
-	-	252,253
-	-	98,187
-	-	252,830
7,132	7,858	64,171
-	-	34,955
-	345,226	1,854,221
-	344,851	1,321,018
-	9,711	291,934
4,000	-	593,019
<u>792,866</u>	<u>707,646</u>	<u>9,182,276</u>
7,993	-	2,416,995
1,172,651	-	3,752,159
-	480,715	1,824,358
-	-	843,794
-	41,008	1,953,435
<u>1,180,644</u>	<u>521,723</u>	<u>10,790,741</u>
<u>(387,778)</u>	<u>185,923</u>	<u>(1,608,465)</u>
-	-	857,216
-	(506,140)	(1,279,195)
-	(506,140)	(421,979)
<u>(387,778)</u>	<u>(320,217)</u>	<u>(2,030,444)</u>
<u>888,175</u>	<u>885,279</u>	<u>6,255,399</u>
<u>\$ 500,397</u>	<u>\$ 565,062</u>	<u>\$ 4,224,955</u>

CITY OF PLACERVILLE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (2,030,444)</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	<u>1,150,836</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds financial statements.	<u>(577,748)</u>
Governmental funds do not report additions or retirements to long term debt. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those liabilities is allocated to the related departments.	
Compensated absences	(50,483)
Capital Lease	66,908
Energy Commission Loan, net	<u>6,186</u>
	<u>22,611</u>
Interest on long term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	<u>3,653</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities.	<u>274,235</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,156,857)</u>

CITY OF PLACERVILLE

Statement of Net Assets

All Proprietary Funds

June 30, 2009

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Funds
Assets:				
Current assets:				
Cash and investments	\$ 12,517	\$ 96,764	\$ 109,281	\$ 430,664
Cash with fiscal agent	22,367	4,164,079	4,186,446	-
Receivables:				
Accounts	20,833	218,829	239,662	-
Interest	247	156	403	(93)
Utility billings, net	450,809	869,858	1,320,667	-
Grants	246,993	174,806	421,799	-
Deferred charges	8,925	527,611	536,536	-
Due from other funds	-	22,892	22,892	-
Advances to other funds	-	470,000	470,000	1,402,902
Total current assets	762,691	6,544,995	7,307,686	1,833,473
Capital assets:				
Nondepreciable:				
Land and improvements	227,579	1,969,327	2,196,906	-
Construction in progress	734,414	50,120,725	50,855,139	-
Depreciable:				
Buildings and structures	4,021,764	14,039,908	18,061,672	-
Machinery and equipment	105,637	822,316	927,953	-
Infrastructure	21,059,278	22,779,711	43,838,989	-
Accumulated depreciation	(21,296,561)	(29,578,958)	(50,875,519)	-
Total capital assets	4,852,111	60,153,029	65,005,140	-
Total Assets	5,614,802	66,698,024	72,312,826	1,833,473
Liabilities:				
Current liabilities:				
Accounts payable	137,957	737,631	875,588	10,237
Deposits	31,946	2,573	34,519	-
Due to other funds	235,535	650,563	886,098	-
Current portion of long-term debt	15,472	2,363,325	2,378,797	-
Total current liabilities	420,910	3,754,092	4,175,002	10,237
Long-term liabilities:				
Claims payable	-	-	-	317,991
Advances from other funds	490,000	1,200,000	1,690,000	-
Long-term debt, net	218,229	52,576,347	52,794,576	-
Total long-term liabilities	708,229	53,776,347	54,484,576	317,991
Total Liabilities	1,129,139	57,530,439	58,659,578	328,228
Net Assets:				
Invested in capital assets, net of related debt	4,618,410	5,213,357	9,831,767	-
Unrestricted	(132,747)	3,954,228	3,821,481	1,505,245
Total Net Assets	\$ 4,485,663	\$ 9,167,585	\$ 13,653,248	\$ 1,505,245

CITY OF PLACERVILLE
Statement of Revenues, Expenses and Changes in Net Assets
All Proprietary Funds
For the Year Ended June 30, 2009

	Major Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Service charges	\$ 1,476,911	\$ 2,922,355	\$ 4,399,266	\$ 323,313
Other revenues	28,933	59,296	88,229	-
Total Operating Revenues	<u>1,505,844</u>	<u>2,981,651</u>	<u>4,487,495</u>	<u>323,313</u>
Operating Expenses:				
General and administrative	340,577	349,397	689,974	566,982
Maintenance and operation	1,008,023	2,538,493	3,546,516	-
Depreciation	219,826	555,356	775,182	-
Total Operating Expenses	<u>1,568,426</u>	<u>3,443,246</u>	<u>5,011,672</u>	<u>566,982</u>
Operating Income (Loss)	<u>(62,582)</u>	<u>(461,595)</u>	<u>(524,177)</u>	<u>(243,669)</u>
Nonoperating Revenues and (Expenses):				
Grants	161,747	-	161,747	-
Connection fees	27,593	56,325	83,918	-
Amortization expense	-	(21,104)	(21,104)	-
Interest earnings	2,061	25,942	28,003	(185)
Interest expense	(12,332)	(83,413)	(95,745)	-
Total Nonoperating Revenues	<u>179,069</u>	<u>(22,250)</u>	<u>156,819</u>	<u>(185)</u>
Income (Loss) Before Transfers	116,487	(483,845)	(367,358)	(243,854)
Transfers out	(48,055)	(48,055)	(96,110)	518,089
Total Transfers	<u>(48,055)</u>	<u>(48,055)</u>	<u>(96,110)</u>	<u>518,089</u>
Net Income (Loss)	68,432	(531,900)	(463,468)	274,235
Net Assets:				
Beginning of year	4,417,231	9,699,485	14,116,716	1,231,010
End of year	<u>\$ 4,485,663</u>	<u>\$ 9,167,585</u>	<u>\$ 13,653,248</u>	<u>\$ 1,505,245</u>

CITY OF PLACERVILLE
Statement of Cash Flows
All Proprietary Funds
For the Year Ended June 30, 2009

	Major Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash received from customers and users	\$ 1,520,702	\$ 2,892,168	\$ 4,412,870	\$ 333,313
Cash paid to suppliers	(684,275)	(2,017,686)	(2,701,961)	(664,413)
Cash paid to employees	(663,905)	(1,437,239)	(2,101,144)	-
Net Cash Provided (Used) by Operating Activities	<u>172,522</u>	<u>(562,757)</u>	<u>(390,235)</u>	<u>(331,100)</u>
Cash Flows From Noncapital Financing Activities:				
Interfund transfers, net	(48,055)	(48,055)	(96,110)	518,089
Interfund loans, net	20,000	800,000	820,000	(881,000)
Decrease in claims payable	-	-	-	16,333
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(28,055)</u>	<u>751,945</u>	<u>723,890</u>	<u>(346,578)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from 2006 SRF Loan	-	4,261,352	4,261,352	-
Grants	-	-	-	-
Capital asset purchases	(186,699)	(5,966,131)	(6,152,830)	-
Capital improvement fees	27,593	56,325	83,918	-
Principal payments on long-term debt	(14,723)	(211,432)	(226,155)	-
Interest paid	(12,332)	(83,413)	(95,745)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(186,161)</u>	<u>(1,943,299)</u>	<u>(2,129,460)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest received	4,077	24,957	29,034	(92)
Net Cash Provided (Used) by Investing Activities	<u>4,077</u>	<u>24,957</u>	<u>6,062,498</u>	<u>(92)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(37,617)	(1,729,154)	(1,766,771)	(677,770)
Cash and Cash Equivalents:				
Beginning of year	72,501	5,989,997	6,062,498	1,108,434
End of year	<u>\$ 34,884</u>	<u>\$ 4,260,843</u>	<u>4,295,727</u>	<u>\$ 430,664</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (62,582)	\$ (461,595)	\$ (524,177)	\$ (243,669)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	219,826	555,356	775,182	-
Changes in current assets and liabilities:				
Receivables	(5,973)	(89,483)	(95,456)	10,000
Due to other funds	-	-	-	-
Accounts payable	23,076	(567,035)	(543,959)	(97,431)
Deposits	(1,825)	-	(1,825)	-
Claims payable	-	-	-	-
Total adjustments	<u>235,104</u>	<u>(101,162)</u>	<u>133,942</u>	<u>(87,431)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 172,522</u>	<u>\$ (562,757)</u>	<u>\$ (390,235)</u>	<u>\$ (331,100)</u>

See accompanying Notes to Basic Financial Statements.

CITY OF PLACERVILLE

Statement of Net Assets

Fiduciary Funds

June 30, 2009

	PFA Agency Funds	Other Agency Funds	Total
Assets:			
Cash and investments	\$ 47,876	\$ 355,716	\$ 403,592
Receivables:			
Accounts	4,254	41,886	46,140
Interest	57	464	521
Total Assets	<u><u>\$ 52,187</u></u>	<u><u>\$ 398,066</u></u>	<u><u>\$ 450,253</u></u>
Liabilities:			
Accounts payable	\$ -	\$ 35,882	\$ 35,882
Deposits	27,906	362,184	390,090
Due to bondholders	24,281	-	24,281
Total Liabilities	<u><u>\$ 52,187</u></u>	<u><u>\$ 398,066</u></u>	<u><u>\$ 450,253</u></u>

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

As a result, this organization is considered a component unit of the City and is included within the basic financial statements of the City using the blended method. The separate financial statements of this component unit can be obtained from the City's Finance Department.

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

B. Government-wide Financial Statements

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-wide Financial Statements, Continued

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

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

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

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

Property taxes, special assessments, sales tax, licenses, intergovernmental revenues, investment earnings, charges for services and fines and penalties associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes attach as an enforceable lien on property. Secured and unsecured property taxes are levied on July 1st. The unsecured and secured property tax lien date is January 1. Unsecured property taxes become delinquent on August 31st. Secured property taxes are payable in two installments, on November 1st and February 1st of each year, and become delinquent on December 10th and April 10th, 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.

The government reports the following major governmental funds:

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

The government reports the following major proprietary funds:

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

The Wastewater System Fund is responsible for the treatment of industrial and domestic wastewater. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the wastewater treatment plant required due to growth.

Additionally, the government reports the following fund types:

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

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

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

D. Use of Restricted and Unrestricted Net Assets

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

E. Cash, Cash Equivalents, and Investments

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

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

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

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

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Receivables

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

G. Interfund Balances/Internal Balances

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

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

H. Compensated Absences

Amounts of vested or accumulated vacation, sick leave, compensatory time 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 General Long-Term Debt Account Group. No expenditure is reported for these amounts.

I. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

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

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

In accordance with GASB Statement No. 34, the City has elected to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2002-2003. Recording and reporting by the City of these major general infrastructure assets is planned by fiscal year 2009-2010.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. For fiscal year ended June 30, 2009, interest was capitalized in the amount of \$830,658.

J. Deferred and Unearned Revenue

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

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

K. Long-Term Liabilities

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

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

L. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets and Fund Equity, Continued

Fund Financial Statements

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

M. Use of Estimates

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

N. Implementation of New GASB Pronouncements

In Fiscal year ended June 30, 2009, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements (GASB):

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement establishes accounting and financial reporting standards for pollution/contamination remediation obligations and remediation activities to address the detrimental effects of existing pollution.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment* - This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* - The objective of this Statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles including related party transactions, going concern considerations, and subsequent events.

These GASB Statements did not have any impact on the fund balance or net assets of the City.

2. CASH AND INVESTMENTS

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits

At June 30, 2009, the carrying amount of the City's deposits was \$(510,072). Bank balances before reconciling items were \$1,053,278 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

B. Investments

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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

Realized gain/(loss) on matured/sold investments	\$	-
Unrealized gain/(loss) in changes in fair value of investments		2,041
Net gain/(loss)		2,041
Interest income		37,891
Total investment income	\$	39,932

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

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

In accordance with GASB Statement No. 31, the portfolio, for year-end reporting purposes, is treated as if it were all sold. Therefore, fund balance reflects the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

Cash and Investments with Fiscal Agent. The Cash and Investments with Fiscal Agents in the amount of \$4,288,095 include certain amounts which are held by fiscal agents 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.

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2009:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Activities	Total	Statement of Net Assets	Total
	Cash and investments	\$ 475,487	\$ 109,281	\$ 584,768	\$ 403,592
Restricted cash and investments	\$ 1,901,437	\$ -	\$ 1,901,437	\$ -	\$ 1,901,437
Cash with fiscal agent	\$ 101,649	\$ 4,186,446	\$ 4,288,095	\$ -	\$ 4,288,095

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

Deposits and investments were categorized as follows at June 30, 2009:

Investment Type	Fair Value	Investment Maturities (in years) 1 year or less
Cash:		
Cash Deposits	\$ (510,072)	\$ (510,072)
Petty Cash	2,655	2,655
Total cash:	(507,417)	(507,417)
Investments:		
Local Agency Investment Funds	1,495,777	1,495,777
Total investments	1,495,777	1,495,777
Total cash and investments	\$ 988,360	\$ 988,360
Restricted Cash:		
Cash Deposits	\$ 1,901,437	\$ 1,901,437
Total restricted cash:	\$ 1,901,437	\$ 1,901,437
Cash with Fiscal Agents:		
Money Market Funds	\$ 4,288,095	\$ 4,288,095
Total cash with fiscal agents	\$ 4,288,095	\$ 4,288,095

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, 2009, 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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included as income for the fiscal year. Changes in value in the fiscal year ended June 30, 2009, amounted to an unrealized gain of \$2,041.

F. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2009, 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, 2009, the City had \$1,495,777 invested in LAIF, which had invested 14.71% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001364207 was used to calculate the fair value of the investments in LAIF.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

3. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To, Due From

At June 30, 2009, the City had the following short-term interfund receivables and payables:

Due To	General Fund	Transportation Development	Water	Sewer	Total
<i>Governmental Activities:</i>					
General Fund	\$ -	\$ -	\$ 180,376	\$ 616,896	\$ 797,272
Park Development	-	8,628	-	-	8,628
Grants	-	-	-	-	-
Capital Project	100,566	-	25,600	27,000	153,166
Non-Major	-	-	6,667	6,667	13,334
<i>Business-Type Activities:</i>					
Sewer	-	-	22,892	-	22,892
Internal Service Fund	-	-	-	-	-
Totals	\$ 100,566	\$ 8,628	\$ 235,535	\$ 650,563	\$ 995,292

Transfers

At June 30, 2009, the City had the following transfers:

		Transfers In						
		Governmental Activities			Business-Type Activities			
		General	Transportation	Capital Projects	Non-Major	Sewer	Internal Service Fund	Total
Transfers Out	<i>Governmental Activities:</i>							
	General	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ 48,055	\$ 73,055
	Park Development	-	-	-	-	-	-	-
	Capital Projects	-	-	-	-	-	-	-
	Grants	-	-	-	-	-	700,000	700,000
	Non-Major	216,140	315,000	-	-	-	-	531,140
	<i>Business-Type Activities:</i>							
	Water	-	-	-	-	-	48,055	48,055
	Sewer	-	-	-	-	-	48,055	48,055
	<i>Internal Service Funds</i>							
	321,406	-	4,670	-	-	-	326,076	
Total	\$ 537,546	\$ 315,000	\$ 4,670	\$ 25,000	\$ -	\$ 844,165	\$ 1,726,381	

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2009, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land and improvements	\$ 12,405,684	\$ 2,196,906	\$ 14,602,590
Construction in process	3,586,218	50,855,139	54,441,357
Total nondepreciable assets	<u>15,991,902</u>	<u>53,052,045</u>	<u>69,043,947</u>
<i>Depreciable Assets:</i>			
Buildings and structures	11,482,147	18,061,672	29,543,819
Machinery and equipment	3,232,192	927,953	4,160,145
Infrastructure	4,077,878	43,838,989	47,916,867
	<u>18,792,217</u>	<u>62,828,614</u>	<u>81,620,831</u>
Less accumulated depreciation	(6,506,083)	(50,875,519)	(57,381,602)
Total depreciable assets, net	<u>12,286,134</u>	<u>11,953,095</u>	<u>24,239,229</u>
Total capital assets	<u><u>\$ 28,278,036</u></u>	<u><u>\$ 65,005,140</u></u>	<u><u>\$ 93,283,176</u></u>

As explained in Note 1, the City implemented new GASB pronouncements as related to capital assets. In fiscal year ended June 30, 2009, the City counted, valued and reported its capital assets, including infrastructure for its business-type activities, as shown in the following tables. However, in accordance with GASB Statement No. 34, the City has elected to defer accounting and reporting of its major general infrastructure assets acquired before fiscal year 2002-2003 which is planned by fiscal year 2009-2010. The following is a summary of capital assets for governmental activities:

	Balance July 1, 2008	Additions	Transfers	Balance June 30, 2009
<i>Non-Depreciable Assets:</i>				
Land and improvements	\$ 12,405,684	\$ -	\$ -	\$ 12,405,684
Construction in progress	2,487,224	1,098,994	-	3,586,218
Total Nondepreciable assets	<u>14,892,908</u>	<u>1,098,994</u>	<u>-</u>	<u>15,991,902</u>
<i>Depreciable Assets:</i>				
Buildings and structures	11,482,147	-	-	11,482,147
Machinery and equipment	3,199,525	32,667	-	3,232,192
Infrastructure	4,058,703	19,175	-	4,077,878
Total depreciable assets	<u>18,740,375</u>	<u>51,842</u>	<u>-</u>	<u>18,792,217</u>
Less accumulated depreciation	(5,928,335)	(577,748)	-	(6,506,083)
Total Depreciable assets, net	<u>12,812,040</u>	<u>(525,906)</u>	<u>-</u>	<u>12,286,134</u>
Total Governmental activities	<u><u>\$ 27,704,948</u></u>	<u><u>\$ 573,088</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,278,036</u></u>

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2009 was as follows:

General government	\$ 281,417
Public safety	105,594
Highways and streets	161,656
Parks and recreation	<u>29,081</u>
Total	<u>\$ 577,748</u>

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

	Balance June 30, 2008	Additions	Transfers	Balance June 30, 2009
<i>Non-depreciable Assets:</i>				
Land and improvements	\$ 2,196,906	\$ -	\$ -	\$ 2,196,906
Construction in progress	44,876,005	6,152,828	(173,694)	50,855,139
Total Nondepreciable assets	<u>47,072,911</u>	<u>6,152,828</u>	<u>(173,694)</u>	<u>53,052,045</u>
<i>Depreciable Assets:</i>				
Buildings and structures	18,061,672	-	-	18,061,672
Machinery and equipment	927,953	-	-	927,953
Infrastructure	43,665,295	-	173,694	43,838,989
Total depreciable assets	<u>62,654,920</u>	<u>-</u>	<u>173,694</u>	<u>62,828,614</u>
Less accumulated depreciation	<u>(50,100,337)</u>	<u>(775,182)</u>	<u>-</u>	<u>(50,875,519)</u>
Total depreciable assets, net	<u>12,554,583</u>	<u>(775,182)</u>	<u>173,694</u>	<u>11,953,095</u>
Total business-type activities	<u>\$ 59,627,494</u>	<u>\$ 5,377,646</u>	<u>\$ -</u>	<u>\$ 65,005,140</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2009, were as follows:

Water	\$ 219,826
Sewer	<u>555,356</u>
Total	<u>\$ 775,182</u>

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

5. LONG-TERM DEBT

A. Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 514,083	\$ 2,378,797	\$ 2,892,880
Noncurrent portion of long-term debt:			
Compensated absences	643,193	-	643,193
1997 State Revolving Loan	-	1,741,072	1,741,072
2006 State Revolving Loan	-	33,106,641	33,106,641
2006 Sewer Revenue Bonds	-	17,215,000	17,215,000
Energy Commission Loan	24,605	-	24,605
Capital Lease	993,427	593,195	1,586,622
2008 Vactor Truck Lease	-	138,668	138,668
Total noncurrent portion of long-term debt	<u>1,661,225</u>	<u>52,794,576</u>	<u>54,455,801</u>
Total long-term debt	<u><u>\$ 2,175,308</u></u>	<u><u>\$ 55,173,373</u></u>	<u><u>\$ 57,348,681</u></u>

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2009:

	Balance			Balance		Due in	
	July 1, 2008	Additions	Retirements	June 30, 2009	more than one year	Due within one year	
Compensated Absences	\$ 1,030,044	\$ 50,483	\$ -	\$ 1,080,527	643,193	\$ 437,334	
Energy Commission Loan	37,223	-	6,185	31,038	24,605	6,433	
Capital Lease	1,130,651	-	66,908	1,063,743	993,427	70,316	
Total	<u><u>\$ 2,197,918</u></u>	<u><u>\$ 50,483</u></u>	<u><u>\$ 73,093</u></u>	<u><u>\$ 2,175,308</u></u>	<u><u>\$ 1,661,225</u></u>	<u><u>\$ 514,083</u></u>	

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2009:

	Balance			Balance		Due in	
	July 1, 2008	Additions	Retirements	June 30, 2009	more than one year	Due within one year	
1997 State Revolving Loan	\$ 2,076,368	\$ -	\$ 165,497	\$ 1,910,871	\$ 1,741,072	\$ 169,799	
2006 State Revolving Loan	30,990,612	4,261,352	-	35,251,964	33,106,641	2,145,323	
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	17,215,000	-	
Capital Lease	675,249	-	40,008	635,241	593,195	42,046	
2008 Vactor Truck	180,946	-	20,649	160,297	138,668	21,629	
Total	<u><u>\$ 51,138,175</u></u>	<u><u>\$ 4,261,352</u></u>	<u><u>\$ 226,154</u></u>	<u><u>\$ 55,173,373</u></u>	<u><u>\$ 52,794,576</u></u>	<u><u>\$ 2,378,797</u></u>	

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

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 \$1,080,527. The City typically uses the General Fund to liquidate compensated absences.

Capital Lease

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 new 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
2010	\$ 112,361	\$ 84,110	\$ 196,471
2011	118,084	78,388	196,472
2012	124,099	72,373	196,472
2013	130,419	66,053	196,472
2014	137,062	59,410	196,472
2015-2019	797,410	184,949	982,359
2020-2024	279,549	14,225	293,774
Total	\$ 1,698,984	\$ 559,508	\$ 2,258,492

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 Vector Truck for the Public Works Department. The multipurpose Vector 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 Vector Truck Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 21,629	\$ 7,267	\$ 28,896
2011	22,655	6,241	28,896
2012	23,731	5,166	28,897
2013	24,857	4,040	28,897
2014	26,036	2,861	28,897
2015-2019	41,389	1,956	43,345
Total	\$ 160,297	\$ 27,531	\$ 187,828

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

5. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, 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, 2009
Building and structures	\$ 2,052,000
Machinery and equipment	195,394
Assets under capitalized lease, at cost	2,247,394
Accumulated depreciation	(165,863)
Assets under capitalized lease, net	\$ 2,081,531

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 annual debt service requirements for the Energy Commission Loan are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2010	\$ 6,433	\$ 1,163	\$ 7,596
2011	6,690	907	7,597
2012	6,955	641	7,596
2013	7,234	362	7,596
2014	3,726	74	3,800
Total	\$ 31,038	\$ 3,147	\$ 34,185

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 principal and interest payments for the Fiscal Year ended June 30, 2009, required 649% of net revenues. The total remaining principal and interest to be paid on the bonds is \$35,643,400. Principal and interest paid for the current year and total net revenues were \$830,658 and \$127,973, respectively. Principal payments are due September 1 of each year and interest payments ranging from 4.00% to 5.00% are due March 1 and September 1 of each year.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

5. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

The annual debt service requirements for the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ 830,657	\$ 830,657
2011	-	830,657	830,657
2012	-	830,657	830,657
2013	-	830,657	830,657
2014	-	830,658	830,658
2015-2019	97,500	4,153,288	4,250,788
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
2035-2039	1,385,000	69,250	1,454,250
Total	\$ 17,215,000	\$ 18,428,400	\$ 35,643,400

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, 2009, required 171% of net revenues. The total remaining principal and interest to be paid on the loan is \$2,194,610. Principal and interest paid for the current year and total net revenues were \$219,482 and \$127,973, respectively. Principal and interest payments are due in March of each year. The annual debt service requirements for the 1997 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 169,800	\$ 49,683	\$ 219,483
2011	174,214	45,268	219,482
2012	178,744	40,738	219,482
2013	183,391	36,091	219,482
2014	188,159	31,323	219,482
2015-2019	1,016,563	80,637	1,097,200
Total	\$ 1,910,871	\$ 283,740	\$ 2,194,611

In 2006, the City secured a State Revolving Loan in the amount of \$42,673,043 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. Principal payments will begin twelve months after construction is completed. It's anticipated that principal payments will be due in February of each year, beginning September 2010. The Loan is payable solely from wastewater net revenues and is payable through 2039. Payments are expected to begin in 2010.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

5. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

The total anticipated principal and interest remaining to be paid on the loan is \$42,673,043. The estimated annual debt service requirements for the 2006 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ -	\$ -
2011	1,422,435	-	1,422,435
2012	1,422,435	-	1,422,435
2013	1,422,435	-	1,422,435
2014	1,422,435	-	1,422,435
2015-2019	7,112,174	-	7,112,174
2020-2024	7,112,174	-	7,112,174
2025-2029	7,112,174	-	7,112,174
2030-2034	7,112,174	-	7,112,174
2035-2039	7,112,174	-	7,112,174
2040-2044	1,422,433	-	1,422,433
Total	\$ 42,673,043	\$ -	\$ 42,673,043

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 310,223	\$ 972,881	\$ 1,283,104
2011	1,744,078	961,461	2,705,539
2012	1,755,963	949,576	2,705,539
2013	1,768,336	937,203	2,705,539
2014	1,777,417	924,325	2,701,742
2015-2019	9,065,035	4,420,830	13,485,865
2020-2024	8,495,156	4,060,291	12,555,447
2025-2029	9,472,174	3,775,500	13,247,674
2030-2034	19,382,174	2,231,009	21,613,183
2035-2039	8,497,174	69,250	8,566,424
2040-2044	1,421,503	-	1,421,503
Total	\$ 63,689,233	\$ 19,302,326	\$ 82,991,559

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

6. RETIREMENT PLAN

Plan Description

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

Funding Policy

Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual credible salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$398,584 for the year ended June 30, 2009. The City employer is required to contribute for fiscal year 2008/2009 at an actuarially determined rate of 15.772% and 25.617% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost

For 2008/2009 the City's annual pension cost of \$1,315,404 for PERS was equal to the City's annual required contribution. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age actuarial cost method.

Annual Pension Cost, Continued

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.25% to 14.45% for both miscellaneous and safety employees depending on age, service, and type of employment, and (c) 3.25% cost of living adjustment for retirees. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments over a three year period. The average remaining amortization period at June 30, 2006, was 17 years for both miscellaneous and safety employees for prior and current service unfunded liabilities.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	1,146,350	100%	\$ -
June 30, 2008	1,286,470	100%	-
June 30, 2009	1,315,404	100%	-

7. DEFERRED COMPENSATION PLAN

The City in 1983 established a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plans permit all eligible employees to execute an individual agreement with the City for amounts earned by them, to be paid at a future date when certain circumstances are met. These circumstances include termination by reason of retirement, death, disability or other events as provided for in the Plans. Employees may contribute up to 25% of their annual compensation, not to exceed \$16,500 in any year, into the deferred compensation plan.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

7. 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 \$2,158,518 at June 30, 2009, have been removed from the basic financial statements of the City, with no impact on fund equity.

8. POST-RETIREMENT HEALTH CARE BENEFITS

Employees who retire from the City are eligible to receive certain health care benefits. Expenditures for post-retirement health care benefits are recorded on a “pay as you go” basis and for fiscal year ended June 30, 2009 were \$81,416 with 18 participants eligible to receive benefits as of June 30, 2009.

9. CLASSIFICATION OF FUND BALANCE AND OTHER FUND DISCLOSURES

Fund Financial Statements

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

Fund Financial Statements, Continued

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

	General	Transportation Development	Park Development	Capital Projects	Grants	Measure J	Non-Major	Total
<i>Reserved:</i>								
Prepays	\$ 6,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,650
Special programs	-	-	-	-	1,488,517	500,397	64,025	2,052,939
Capital projects	4,555	39,331	3,709	440,734	-	-	501,037	989,366
Total reserved	<u>11,205</u>	<u>39,331</u>	<u>3,709</u>	<u>440,734</u>	<u>1,488,517</u>	<u>500,397</u>	<u>565,062</u>	<u>3,048,955</u>
<i>Unreserved, Designated:</i>								
Contingencies	1,176,000	-	-	-	-	-	-	1,176,000
Total unreserved, designated	<u>1,176,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176,000</u>
<i>Unreserved, Undesignated</i>								
	-	-	-	-	-	-	-	-
Total	<u>\$ 1,187,205</u>	<u>\$ 39,331</u>	<u>\$ 3,709</u>	<u>\$ 440,734</u>	<u>\$ 1,488,517</u>	<u>\$ 500,397</u>	<u>\$ 565,062</u>	<u>\$ 4,224,955</u>

Fund Equity Deficits

The Parking District Special Revenue Fund, which is a non-major fund, has an accumulated deficit of \$(249,876) at June 30, 2009. This amount will be offset with charges for services increases in future years.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

10. RISK MANAGEMENT

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

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

The following provides a reconciliation of claims payable, which are recorded as an Internal Service Fund, for the two years ended June 30, 2008 and 2009:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments For Current and Prior Years	End of Year Liability
2007-2008	\$ 686,354	\$ (31,486)	\$ (353,210)	\$ 301,658
2008-2009	301,658	141,684	(125,351)	317,991

Northern California Cities Self Insurance Fund

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

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

Banking Layer - The banking layer is the members' deductible portion of each claim. As part of its services to members, a portion of their contributions is used to pay their deductibles. If a member's balance is insufficient, the Authority advances the necessary amount and bills the member in the following year. Excess balances may likewise be used to offset subsequent year contributions. The following is a summary of financial information of the Authority as of and for the year ended June 30, 2009:

Total Assets (Primarily Investments)	\$ 50,850,284
Total Liabilities	32,576,751
Net Assets	18,273,533
Total Revenues	17,024,387
Total Expenses	17,254,664
Net Income (Loss)	(230,277)

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

10. RISK MANAGEMENT, Continued

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 \$29 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 three million dollars is insured by the California Affiliated Risk Management Authority (CARMA). The third layer of ten million dollars is covered by reinsurance. The fourth excess layer of fifteen million dollars is insured by CARMA. The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience, and will be determined two and half years after the end of the current program year.

The following is a summary of audited financial information of PARSAC as of and for the year ended June 30, 2009:

Total Assets (primarily investments)	\$	31,599,618
Total Liabilities		14,433,277
Net Assets		17,166,341
Total Revenues		13,515,369
Total Expenses		7,192,658
Operating Income		6,322,711

11. CITY AGREEMENTS WITH CERTAIN OTHER GOVERMENTAL UNITS

El Dorado County Fire Protection District

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

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

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

For the year ended June 30, 2009, City property tax revenue assigned to the District amounted to approximately \$1,000,000.

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 For the Year Ended June 30, 2009

12. CONTINGENCIES

Legal Actions

There are various claims and legal actions pending against the City for which no provision has been made in the accompanying general purpose financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not have an adverse material effect on the financial position of the City. The City is self-insured and participates in public entity risk pools (See Note 10).

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.

Proposition 62

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

Proposition 218

On November 5, 1996, Proposition 218 was approved by the voters. Proposition 218 is a constitutional amendment which addresses both taxes and assessments imposed, extended or increased without voter approval on or after January 1, 1995. Its effect on existing assessments is unclear but it could have a minimal affect on the City's business taxes.

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

The Placerville Public Financing Authority (Authority) is a legal joint powers entity created by the City and its Redevelopment Agency. The Authority's Board of Directors is comprised of the City's Council Members, City Manager and Finance Director. The Authority has accountability for all funds, the power to execute contracts, and the right to sue and be sued. Obligations and liabilities of the Authority are not obligations of the City.

Neither the City nor the Authority have any obligation to advance its own funds toward payments to bondholders, other than the City's obligation to make payments on its sewer revenue bonds and an installment purchase agreement and to pay over assessment payments received from property owners as discussed below and the Authority's obligation to make payments from funds received from the City. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts held by the Trustee, are the sole security for payment to bondholders, other than payments on the City's sewer revenue bonds and an installment purchase agreement.

In the event of delinquency in payment of assessment or supplemental assessments, the City is responsible for foreclosure and auction proceedings on assessed property.

The aggregate principal balance of the Revenue Bonds issued by the Authority outstanding at June 30, 2009, was \$1,658,192 which is not included in these accompanying basic financial statements.

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

13. 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 ¹	\$2,660,000	Series 1994 - \$13,070,000 ¹
AD 1994-2, June 1994 ¹	\$4,855,000	
Sewer Revenue Bonds ¹	\$4,255,000	
Installment Purchase Agreement ²	\$17,215,000	Series 2006 - \$17,215,000 ²

¹ Paid in full.

² Issued in 2006. Not in default.

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

Defaults

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2009

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

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

Series 1994 Revenue bond technical defaults, or draw downs of reserve funds, also occurred as a result of nonpayment of assessments by owners of property within the City's Assessment District 94-1.

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

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

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 For the Year Ended June 30, 2009

14. CONTINGENT LIABILITIES

On May 24, 2005, the City Council approved an agreement with the Sacramento Area Council of Governments (SACOG) which advanced \$1,283,684 in Federal RSTP revenue to the City for the partial construction of the Upper Main Street Rehabilitation project. The advanced revenue was used to repair and replace sidewalks and storm drains and repave approximately 3,000 feet of roadway from Bedford Avenue to Broadway. In return, the City agreed to pay back SACOG the \$1,283,684 over a four year period. The sources of repayment are limited to future RSTP allocations and Gas Tax subventions made to the City. The final payment in the amount of \$628,684 was made during Fiscal Year 2008/2009.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments from local governments including the City of Placerville. These amounts are significant to the City of Placerville and include the State borrowing \$151,473 or 8% of the City's Property Taxes for up to three years and the deferring payment of \$76,715 in Gas Tax Revenues.

Property Taxes borrowed by the State for Fiscal Year 2009/2010 were nearly \$2 billion statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their 8% Property Tax receivable from the State to investors to cover the property taxes and to pay the full cost of the sale, or securitization. Passage of Senate Bill 67 (SB 67) was accomplished on October 14, 2009. A securitization bond sale closed on November 19, 2009, and 50% of the proceeds from the securitization bonds were paid to participating local government agencies in January 2010 and the remaining 50% in May 2010. The City of Placerville participated in the securitization program and received the entire \$151,473 in borrowed property taxes in Fiscal Year 2009/2010.

That State has notified the City of its intent to defer \$76,715 in Gas Tax payments normally paid between November 2009 and March 2010 until April 2010. The State's deferral of Gas Tax revenues negatively impacted the City's ability to deliver road maintenance services in a timely manner during Fiscal Year 2009/2010.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF PLACERVILLE

Required Supplementary Information For the Year Ended June 30, 2008

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, 2009, proceeds of taxes did not exceed allowable appropriations.

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

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Property taxes	\$ 259,893	\$ 207,948	\$ 219,829	\$ 11,881
Sales tax	3,877,155	3,106,268	3,079,890	(26,378)
Transient occupancy taxes	195,046	159,744	134,801	(24,943)
Other taxes	206,000	199,786	203,434	3,648
Franchise fees	248,643	252,707	252,253	(454)
Licenses and permits	120,000	88,202	98,187	9,985
Fines and forfeitures	410,697	224,320	252,830	28,510
Use of money and property:				
Interest earnings	40,000	10,522	7,105	(3,417)
Rentals and concessions	37,330	36,260	34,955	(1,305)
Intergovernmental	851,734	887,778	889,898	2,120
Charges for services	1,034,992	1,029,322	965,607	(63,715)
Other revenue	746,761	746,761	546,761	(200,000)
Total Revenues	<u>8,028,251</u>	<u>6,949,618</u>	<u>6,685,550</u>	<u>(264,068)</u>
Expenditures:				
General government	2,819,909	2,595,279	2,374,193	221,086
Public safety	2,711,769	2,302,767	2,451,518	(148,751)
Highways and streets	606,140	508,896	472,351	36,545
Community development	582,933	587,120	591,897	(4,777)
Parks and recreation	1,771,991	1,711,472	1,595,053	116,419
Total Expenditures	<u>8,492,742</u>	<u>7,705,534</u>	<u>7,485,012</u>	<u>220,522</u>
Revenues Over (Under) Expenditures	<u>(464,491)</u>	<u>(755,916)</u>	<u>(799,462)</u>	<u>(43,546)</u>
Other Financing Sources (Uses):				
Transfers in	537,546	537,546	537,546	-
Transfers out	(73,055)	(73,055)	(73,055)	-
Total Other Financing Sources (Uses)	<u>464,491</u>	<u>464,491</u>	<u>464,491</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (291,425)</u>	<u>(334,971)</u>	<u>\$ (43,546)</u>
Fund Balances:				
Beginning of year			<u>1,522,176</u>	
End of year			<u>\$ 1,187,205</u>	

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Transportation Development Fund
For the Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ 5,000	\$ 2,500	\$ 2,504	\$ 4
Intergovernmental	419,200	520,000	518,799	(1,201)
Total Revenues	<u>424,200</u>	<u>522,500</u>	<u>521,303</u>	<u>(1,197)</u>
Expenditures:				
Highways and streets	419,200	870,000	869,299	701
Total Expenditures	<u>419,200</u>	<u>870,000</u>	<u>869,299</u>	<u>701</u>
Revenues Over (Under) Expenditures	<u>5,000</u>	<u>(347,500)</u>	<u>(347,996)</u>	<u>(496)</u>
Other Financing Sources (Uses):				
Transfers in	-	315,000	315,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 5,000</u>	<u>\$ (32,500)</u>	<u>(32,996)</u>	<u>\$ (496)</u>
Fund Balances:				
Beginning of year			<u>72,327</u>	
End of year			<u>\$ 39,331</u>	

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Fund
For the Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ 2,000	\$ 800	\$ 799	\$ (1)
Intergovernmental	-	-	-	-
Charges for services	30,000	11,000	10,560	(440)
Grant revenue	-	160,000	158,876	(1,124)
Other revenue	-	42,000	42,258	258
Total Revenues	<u>32,000</u>	<u>213,800</u>	<u>212,493</u>	<u>(1,307)</u>
Expenditures:				
Parks and recreation	<u>26,400</u>	<u>316,000</u>	<u>316,171</u>	<u>(171)</u>
Total Expenditures	<u>26,400</u>	<u>316,000</u>	<u>316,171</u>	<u>(171)</u>
Revenues Over (Under) Expenditures	<u>5,600</u>	<u>(102,200)</u>	<u>(103,678)</u>	<u>(1,478)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 5,600</u>	<u>\$ (102,200)</u>	(103,678)	<u>\$ (1,478)</u>
Fund Balances (Deficit):				
Beginning of year			<u>107,387</u>	
End of year			<u>\$ 3,709</u>	

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Grants Fund
For the Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ 600	\$ 39,000	\$ 38,773	\$ (227)
Grant revenue	100,424	197,000	197,115	115
Other revenue	-	-	-	-
Total Revenues	<u>101,024</u>	<u>236,000</u>	<u>235,888</u>	<u>(112)</u>
Expenditures:				
Public safety	105,998	126,000	125,609	391
Community development	104,543	161,000	160,585	415
Total Expenditures	<u>210,541</u>	<u>287,000</u>	<u>286,194</u>	<u>806</u>
Revenues Over (Under) Expenditures	<u>(109,517)</u>	<u>(51,000)</u>	<u>(50,306)</u>	<u>694</u>
Other Financing Sources (Uses):				
Transfers, net	-	(700,000)	(700,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (109,517)</u>	<u>\$ (751,000)</u>	(750,306)	<u>\$ 694</u>
Fund Balances:				
Beginning of year			<u>2,238,823</u>	
End of year			<u>\$ 1,488,517</u>	

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Measure J Fund
For the Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ 35,000	\$ 7,000	\$ 7,132	\$ 132
Intergovernmental	932,004	786,000	785,734	(266)
Total Revenues	<u>967,004</u>	<u>793,000</u>	<u>792,866</u>	<u>(134)</u>
Expenditures:				
General government	9,320	8,000	7,993	7
Public safety	1,255,290	1,173,000	1,172,651	349
Total Expenditures	<u>1,264,610</u>	<u>1,181,000</u>	<u>1,180,644</u>	<u>356</u>
Revenues Over (Under) Expenditures	<u>(297,606)</u>	<u>(388,000)</u>	<u>(387,778)</u>	<u>222</u>
Other Financing Sources (Uses):				
Transfers, net	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (297,606)</u>	<u>\$ (388,000)</u>	<u>(387,778)</u>	<u>\$ 222</u>
Fund Balances:				
Beginning of year			<u>888,175</u>	
End of year			<u>\$ 500,397</u>	

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**SUPPLEMENTARY
INFORMATION**

CITY OF PLACERVILLE

**Balance Sheet
Non-Major Funds
June 30, 2009**

	Special Revenue Funds				Total
	Gas Tax	Development Impact	BAD, CFD, & LLMD	Parking District	
Assets:					
Cash and investments	\$ 60,458	\$ 655,033	\$ 30,359	\$ 2,379	\$ 748,229
Restricted:					
Receivables:					
Accounts	20,904	43,101	37,599	33,879	135,483
Interest	27	784	187	(30)	968
Grant	44,540	-	-	-	44,540
Due from other funds	13,334	-	-	-	13,334
Total Assets	\$ 139,263	\$ 698,918	\$ 68,145	\$ 36,228	\$ 942,554
Liabilities:					
Accounts payable	\$ 961	\$ 86,307	\$ 4,120	\$ 25,074	\$ 116,462
Deposits	-	-	-	2,259	2,259
Restricted:					
Advances to other funds	-	-	-	258,771	258,771
Total Liabilities	961	86,307	4,120	286,104	377,492
Fund Balances (Deficit):					
Reserved	138,302	612,611	64,025	(249,876)	565,062
Total Fund Balances (Deficit)	138,302	612,611	64,025	(249,876)	565,062
Total Liabilities and Fund Balances (Deficit)	\$ 139,263	\$ 698,918	\$ 68,145	\$ 36,228	\$ 942,554

CITY OF PLACERVILLE

Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-Major Funds

For the Year Ended June 30, 2009

	Special Revenue Funds				Total
	Gas Tax	Development Impact	BAD, CFD, & LLMD	Parking District	
Revenues:					
Use of money and property:					
Interest earnings	\$ 136	\$ 6,869	\$ 948	\$ (95)	\$ 7,858
Intergovernmental	280,054	65,172	-	-	345,226
Grant revenue	9,711	-	-	-	9,711
Charges for services	-	37,430	187,171	120,250	344,851
Total Revenues	<u>289,901</u>	<u>109,471</u>	<u>188,119</u>	<u>120,155</u>	<u>707,646</u>
Expenditures:					
Highways and streets	54,227	110,875	155,352	160,261	480,715
Parks and recreation	-	-	41,008	-	41,008
Total Expenditures	<u>54,227</u>	<u>110,875</u>	<u>196,360</u>	<u>160,261</u>	<u>521,723</u>
Revenues Over (Under) Expenditures	<u>235,674</u>	<u>(1,404)</u>	<u>(8,241)</u>	<u>(40,106)</u>	<u>185,923</u>
Other Financing Sources (Uses):					
Proceeds from capital lease	-	-	-	-	-
Transfers out	(531,140)	-	-	25,000	(506,140)
Total Other Financing Sources (Uses)	<u>(531,140)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(506,140)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(295,466)</u>	<u>(1,404)</u>	<u>(8,241)</u>	<u>(15,106)</u>	<u>(320,217)</u>
Fund Balances (Deficit):					
Beginning of year	433,768	614,015	72,266	(234,770)	885,279
End of year	<u>\$ 138,302</u>	<u>\$ 612,611</u>	<u>\$ 64,025</u>	<u>\$ (249,876)</u>	<u>\$ 565,062</u>