

City of Placerville

Placerville, California

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

For the year ended June 30, 2010

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, 2010

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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 the 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, 2010, 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 opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 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, is 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
June 1, 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, 2010. 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 \$47.17M, an increase of \$1.74M. The portion of the City's net assets that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled \$2.26M or 4.78%.
- The governmental net assets increased by \$0.77M or 2.41% and the business-type net assets increased by \$0.97M or 7.12%.
- Program revenues from governmental activities increased \$0.82M or 21.59%. Program revenues from business-type activities increased by \$1.64M or 36.60%. General revenues, net of transfers, decreased \$0.62M or 10.27%.

City Highlights

- Completed construction of the State mandated improvements to the City's Wastewater Treatment Plant, \$7.86M.
- Completed overlay work along sections of Carson Road and Cold Springs Road, \$0.51M.
- Continued the design phase of the Western Placerville Interchange project, \$0.37M.
- Completed construction of curb, gutter, and sidewalks (Safe Routes to School) at Canal Street from Combellack Road to Moulton Drive, \$0.30M.
- Continued design phase of the Blairs Lane Bridge over Hangtown Creek widening project, \$0.12M
- 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, \$0.08M.
- Began design phase of the Point View Drive extension project, \$0.05M.
- Began design phase of the Placerville Station II parking lot improvements and realignment of Mosquito Road near Highway 50, \$0.04M.
- Completed construction of the Lions Park Tot Lot project, \$0.03M.

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* providing budgetary comparison schedules for the General Fund, Transportation Development Fund, Park Development Fund, Grants Fund, and the Measure J Fund. Additional budgetary schedules for the combining statements referred to earlier in connection with nonmajor governmental 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 \$47.17M, an increase of \$1.74M. The governmental net assets increased by \$0.77M or 2.41% and the business-type net assets increased by \$0.97M or 7.12%. The increase in governmental net assets is primarily due to a \$1.47M decrease in expenses. The City and its contractors completed \$9.62M in capital projects as of June 30, 2010. Please see the “Capital Assets” section below for more details.

Net Assets
June 30, 2010
(amounts expressed in thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 08/09	FY 09/10	FY 08/09	FY 09/10	FY 08/09	FY 09/10
Current assets	\$ 3,563	\$ 3,279	\$ 123	\$ 1,596	\$ 3,686	\$ 4,874
Restricted Assets	4,550	4,820	4,609	3,508	9,159	8,329
Capital assets	28,278	29,422	65,005	72,181	93,283	101,603
Total assets	36,391	37,521	69,737	77,285	106,128	114,806
Current liabilities	2,633	2,716	3,289	1,962	5,922	4,678
Noncurrent liabilities	1,979	2,261	52,795	60,698	54,774	62,959
Total liabilities	4,612	4,977	56,084	62,660	60,696	67,637
Net assets:						
Invested in capital assets, net of related debt	27,183	28,404	9,832	9,820	37,015	38,224
Restricted	3,184	3,179	4,608	3,508	7,792	6,687
Unrestricted	1,412	961	(787)	1,297	625	2,258
Total net assets	\$ 31,779	\$ 32,544	\$ 13,653	\$ 14,625	\$ 45,432	\$ 47,169

Changes in Net Assets

Program revenues from governmental activities increased \$0.82M or 21.59%. The increase is primarily due to a \$0.84M increase in capital grants and contributions. General revenues, net of transfers, decreased \$0.62M or 10.27%. This net decrease is primarily due to a \$0.23M or 5.95% decrease in local sales tax. Program revenues from business-type activities increased by \$1.64M or 36.62% which was primarily due to planned increases in water and wastewater user charge revenues. Business-type revenues exceeded expenditures by \$1.04M primarily due to the 120% net revenue coverage ratio required by the 2006 Wastewater System Refinancing and Improvement Revenue Bonds. Water Enterprise Fund revenues exceeded expenditures by \$0.15M which was primarily due to a \$0.18M 11.39% decrease in expenditures. Sewer Enterprise Fund revenues exceeded revenues by \$0.90M which was primarily due to the 120% net revenue coverage ratio required by the 2006 Wastewater System Refinancing and Improvement Revenue Bonds. The

City increased both water and sewer user rates effective October 16, 2009, to offset increased operating and capital replacement costs.

Condensed Statement of Activities and Changes in Net Assets
June 30, 2010

(amounts expressed in thousands)

	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
					Government Activities		Business-type Activities		
	FY 08/09	FY 09/10	FY 08/09	FY 09/10	FY 08/09	FY 09/10	FY 08/09	FY 09/10	
<i>Governmental activities</i>									
General government	\$ 2,753	\$ 2,320	\$ 750	\$ 720	\$ (2,003)	\$ (1,600)			
Public safety	4,122	3,824	647	646	(3,475)	(3,178)			
Highways and streets	1,316	933	1,289	2,404	(27)	1,471			
Community development	785	666	192	160	(593)	(506)			
Parks and recreation	1,782	1,541	901	665	(881)	(876)			
Total governmental activities	10,758	9,284	3,779	4,595	(6,979)	(4,689)			
<i>Business-type activities</i>									
Water	1,581	1,401	1,506	1,548			(75)	147	
Sewer	3,548	3,687	2,981	4,582			(567)	895	
Total business-type activities	5,129	5,088	4,487	6,130			(642)	1,042	
Total primary government	\$ 15,887	\$ 14,372	\$ 8,266	\$ 10,725					
					General revenues and transfers	5,822	5,454	178	(70)
					Changes in net assets	(1,157)	765	(464)	972
					Net Assets:				
					Beginning of year, as restated	32,936	31,779	14,117	13,653
					End of year	\$ 31,779	\$ 32,544	\$ 13,653	\$ 14,625

Budgetary Highlights - Current Year Impacts

- The \$192,227 decreased cost in employer paid retirement contributions for Fiscal Year 2009/2010 was primarily due to salary reductions and employee layoffs necessitated by severe budget constraints.

Fiscal Year	Miscellaneous Plan	Public Safety	Increased/ (Decreased) Cost
2008/2009	23.77%	34.62%	\$ 28,934
2009/2010	23.87%	35.33%	(192,227)
2010/2011	24.13%	34.86%	4,287

- The Operating Budget was amended to reflect employee concessions necessitated by shrinking revenue streams as a result of the Great Recession. All City employees experienced a 10% pay cut in the form of Mandatory Time Off (MTO), and some employees were laid off.
- The changes and unfavorable economic conditions did not adversely impact the *General Fund Operating Reserve* (\$1.18M).

Fund Financial Statements

Governmental Funds

The fund financial statements present financial data for the general, special revenue, capital projects and fiduciary funds. At the close of Fiscal Year 2009/2010, the City's governmental funds reported a combined ending fund balance of \$4.31M – an increase of \$0.09M or 2.13%.

General Fund. Total fund balance for the General Fund on June 30, 2010 was \$1.39M, an increase of \$0.20M from the prior year. Of the \$1.39M fund balance, \$0.21M is reserved for contingencies (Operating Reserve) as set by City financial policy. The \$0.21M in reserves accounts for 15.09% 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 3.25% 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 increased by \$0.97M.

The City's Wastewater Treatment Plant was subject of a cease and desist order issued by the State Water Resources Control Board (SWRCB). The order required upgrades to the City's existing facility to improve the quality of the effluent. The four-year upgrade project was completed in 2009. The majority of the wastewater treatment plant's antiquated equipment which previously required costly repair and maintenance were addressed in the City's \$49.27M facility upgrade and improvement project.

Capital Assets and Debt Administration

Debt Administration

Long Term Debt - At the end of the current fiscal year, the City had \$64.45M in long term debt outstanding compared to \$57.35M last year, a \$7.10M or 12.38% net increase. The increase is largely attributed to \$7.42M in implicit interest 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 2009/2010 include:

Governmental Activities

- Overlay projects along sections of Carson Road and Cold Springs (\$0.51M)
- Curb, gutter, and sidewalk along Canal Street between Combellack Road and Moulton Drive (\$0.30M)
- Lions Park Tot Lot (\$.03M)
- Construction in progress – Western Placerville Interchange (\$0.37M)
- Construction in progress – Blairs Lane Bridge Widening (\$0.12M)
- Construction in progress – Clay Street Bridge Widening and Roundabout at Main Street and Cedar Ravine Road (\$0.08M)
- Construction in progress – Point View Drive Extension (\$0.05M)

- Construction in progress – Placerville Station II (\$0.04M)

Governmental Capital Assets

June 30, 2010

(amounts expressed in thousands)

	Balance			Balance
	June 30, 2009	Additions	Transfers	
<i>Non-Depreciable Assets:</i>				
Land and improvements	\$ 12,406	\$ 61	\$ -	\$ 12,467
Construction in progress	3,586	1,628	-	5,214
Total nondepreciable assets	15,992	1,689	-	17,681
<i>Depreciable Assets:</i>				
Buildings and structures	11,482	-	-	11,482
Machinery and equipment	3,232	-	-	3,232
Infrastructure	4,078	-	-	4,078
Total depreciable assets	18,792	-	-	18,792
	34,784	1,689	-	36,473
Less accumulated depreciation	(6,506)	(545)	-	(7,051)
Total governmental activities	\$ 28,278	\$ 1,144	\$ -	\$ 29,422

Business Type Activities

- Wastewater Treatment Plant Improvements (\$7.86M)
- Construction in progress – Sewer Lift Station Rehabilitation (\$0.02M)
- Construction in progress – Water and Wastewater CIC and User Rate Study (\$0.03M)

Business-Type Capital Assets

June 30, 2010

(amounts expressed in thousands)

	Balance			Balance
	June 30, 2009	Additions	Transfers	
<i>Non-depreciable Assets:</i>				
Land and improvements	\$ 2,197	\$ -	\$ -	\$ 2,197
Construction in progress	50,855	7,932	-	58,787
Total nondepreciable assets	53,052	7,932	-	60,984
<i>Depreciable Assets:</i>				
Buildings and structures	18,062	-	-	18,062
Machinery and equipment	928	-	-	928
Infrastructure	43,839	-	-	43,839
Total depreciable assets	62,829	-	-	62,829
	115,881	7,932	-	123,813
Less accumulated depreciation	(50,876)	(756)	-	(51,632)
Total business-type activities	\$ 65,005	\$ 7,176	\$ -	\$ 72,181

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, 2010, was \$1,622,554 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, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 690,613	\$ 270,857	\$ 961,470
Receivables:			
Accounts	1,211,723	499,531	1,711,254
Interest	29	347	376
Utility billings, net	-	1,679,828	1,679,828
Prepaid expenses	5,600	-	5,600
Deferred charges	-	515,432	515,432
Internal balances	1,370,563	(1,370,563)	-
Total current assets	<u>3,278,528</u>	<u>1,595,432</u>	<u>4,873,960</u>
Restricted:			
Cash and investments	1,830,855	-	1,830,855
Deposits held by fiscal agents	101,649	3,508,422	3,610,071
Receivables:			
Accounts	177,037	-	177,037
Interest	554	-	554
Loans	914,917	-	914,917
Grants	476,747	-	476,747
Other assets	1,318,630	-	1,318,630
Total restricted assets	<u>4,820,389</u>	<u>3,508,422</u>	<u>8,328,811</u>
Capital assets:			
Nondepreciable	17,680,938	60,983,784	78,664,722
Depreciable, net	11,741,203	11,196,899	22,938,102
Total capital assets, net	<u>29,422,141</u>	<u>72,180,683</u>	<u>101,602,824</u>
Total Assets	<u>37,521,058</u>	<u>77,284,537</u>	<u>114,805,595</u>
Liabilities:			
Current liabilities:			
Accounts payable	279,571	264,009	543,580
Payroll and related taxes payable	445,704	-	445,704
Deposits	31,690	34,519	66,209
Current portion of compensated absences	237,327	-	237,327
Current portion of long-term debt	80,587	1,663,492	1,744,079
Total current liabilities	<u>1,074,879</u>	<u>1,962,020</u>	<u>3,036,899</u>
Restricted:			
Accounts payable	375,969	-	375,969
Unearned revenue	1,265,161	-	1,265,161
Total restricted liabilities	<u>1,641,130</u>	<u>-</u>	<u>1,641,130</u>
Long-term liabilities:			
Compensated absences	836,643	-	836,643
Claims payable	355,996	-	355,996
Long-term debt, net	937,446	60,697,486	61,634,932
Net OPEB obligation	130,789	-	130,789
Total long-term liabilities	<u>2,260,874</u>	<u>60,697,486</u>	<u>62,958,360</u>
Total Liabilities	<u>4,976,883</u>	<u>62,659,506</u>	<u>67,636,389</u>
Net Assets:			
Invested in capital assets, net of related debt	28,404,108	9,819,705	38,223,813
Restricted:			
Capital projects	1,661,746	3,508,422	5,170,168
Special projects and programs	1,517,513	-	1,517,513
Total restricted net assets	<u>3,179,259</u>	<u>3,508,422</u>	<u>6,687,681</u>
Unrestricted	960,808	1,296,904	2,257,712
Total Net Assets	<u>\$ 32,544,175</u>	<u>\$ 14,625,031</u>	<u>\$ 47,169,206</u>

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,320,175	\$ 720,517	\$ -	\$ -	\$ 720,517
Public safety	3,823,299	512,781	131,882	-	644,663
Highways and streets	933,055	441,564	364,209	1,598,272	2,404,045
Community development	665,888	158,016	-	1,881	159,897
Parks and recreation	1,541,054	628,353	-	36,800	665,153
Total governmental activities	9,283,470	2,461,231	496,091	1,636,953	4,594,275
Business-type activities:					
Water	1,401,329	1,547,975	-	-	1,547,975
Sewer	3,686,820	4,581,970	-	-	4,581,970
Total business-type activities	5,088,149	6,129,945	-	-	6,129,945
Total primary government	\$ 14,371,619	\$ 8,591,176	\$ 496,091	\$ 1,636,953	\$ 10,724,220

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
\$ (1,599,658)	\$ -	\$ (1,599,658)
(3,178,635)	-	(3,178,635)
1,470,990	-	1,470,990
(505,991)	-	(505,991)
(875,902)	-	(875,902)
<u>(4,689,195)</u>	<u>-</u>	<u>(4,689,195)</u>
-	146,646	146,646
-	895,150	895,150
-	1,041,796	1,041,796
<u>(4,689,195)</u>	<u>1,041,796</u>	<u>(3,647,399)</u>
141,415	-	141,415
3,631,794	-	3,631,794
853,908	-	853,908
547,524	-	547,524
5,174,641	-	5,174,641
36,790	1,238	38,028
81,233	90,327	171,560
161,578	(161,578)	-
<u>5,454,242</u>	<u>(70,013)</u>	<u>5,384,229</u>
765,047	971,783	1,736,830
31,779,128	13,653,248	45,432,376
<u>\$ 32,544,175</u>	<u>\$ 14,625,031</u>	<u>\$ 47,169,206</u>

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**FUNDS
FINANCIAL STATEMENTS**

CITY OF PLACERVILLE

Balance Sheet

Governmental Funds

June 30, 2010

	Major Funds				
	General	Transportation Development	Park Development	Capital Projects	Grants
Assets:					
Cash and investments	\$ 198,648	\$ 283,322	\$ 32,283	\$ 99,890	\$ 94,381
Receivables:					
Accounts	1,184,018	25,993	-	4,463	-
Interest	-	85	-	23	-
Prepaid expenses	5,600	-	-	-	-
Due from other funds	656,337	-	8,628	127,566	-
Advances to other funds	127,869	-	-	-	-
Restricted:					
Deposits held by fiscal agents	-	-	-	101,649	-
Receivables:					
Loans	-	-	-	-	914,917
Grants	-	-	55,999	-	420,748
Rule 20A work credit	-	-	-	-	1,318,630
Total Assets	\$ 2,172,472	\$ 309,400	\$ 96,910	\$ 333,591	\$ 2,748,676
Liabilities:					
Accounts payable	\$ 211,455	\$ 248,755	\$ 2,378	\$ 1,413	\$ 38,748
Payroll and related taxes payable	445,704	-	-	-	-
Deposits	29,431	-	-	-	-
Due to other funds	100,566	-	8,335	-	31,106
Advances from other funds	-	-	62,000	-	-
Restricted:					
Due to other funds	-	8,628	-	-	-
Deferred revenue	-	-	-	-	1,265,161
Total Liabilities	787,156	257,383	72,713	1,413	1,335,015
Fund Balances:					
Reserved	209,316	52,017	24,197	332,178	1,413,661
Unreserved	1,176,000	-	-	-	-
Total Fund Balances	1,385,316	52,017	24,197	332,178	1,413,661
Total Liabilities and Fund Balances	\$ 2,172,472	\$ 309,400	\$ 96,910	\$ 333,591	\$ 2,748,676

<u>Major Funds</u>		
<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ 222,096	\$ 1,098,883	\$ 2,029,503
51,800	94,781	1,361,055
86	360	554
-	-	5,600
-	6,667	799,198
-	-	127,869
-	-	101,649
-	-	914,917
-	-	476,747
-	-	1,318,630
<u>\$ 273,982</u>	<u>\$ 1,200,691</u>	<u>\$ 7,135,722</u>
\$ 2,400	\$ 82,275	\$ 587,424
-	-	445,704
-	2,259	31,690
-	-	140,007
-	282,771	344,771
-	-	8,628
-	-	1,265,161
<u>2,400</u>	<u>367,305</u>	<u>2,823,385</u>
271,582	833,386	3,136,337
-	-	1,176,000
<u>271,582</u>	<u>833,386</u>	<u>4,312,337</u>
<u>\$ 273,982</u>	<u>\$ 1,200,691</u>	<u>\$ 7,135,722</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, 2010

Total Fund Balances - Total Governmental Funds \$ 4,312,337

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	17,680,938
Depreciable	18,792,217
Less accumulated depreciation	<u>(7,051,014)</u>
	<u>29,422,141</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	(80,587)
Long-term debt - non-current portion	(937,446)
Compensated absences - current and long-term portions	(1,073,970)
Net OPEB obligation	<u>(130,789)</u>
	<u>(2,222,792)</u>

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

(49,962)

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.

1,082,451

Net Assets of Governmental Activities \$ 32,544,175

CITY OF PLACERVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds				
	General	Transportation Development	Park Development	Capital Project	Grants
Revenues:					
Property taxes	\$ 141,415	\$ -	\$ -	\$ -	\$ -
Sales tax	2,901,570	-	-	-	-
Transient occupancy taxes	115,820	-	-	-	-
Other taxes	187,343	-	-	-	-
Franchise fees	244,360	-	-	-	-
Licenses and permits	99,622	-	-	-	-
Fines and forfeitures	244,336	-	-	-	-
Use of money and property:					
Interest earnings	-	1,277	-	332	32,773
Rentals and concessions	34,436	-	-	-	-
Intergovernmental	854,068	1,247,040	-	10,559	178,373
Charges for services	711,164	-	21,120	-	-
Grant revenue	-	-	36,800	-	22,427
Other revenue	639,309	-	5,763	-	-
Total Revenues	6,173,443	1,248,317	63,683	10,891	233,573
Expenditures:					
General government	1,956,691	-	-	23,306	-
Public safety	2,223,504	-	-	-	124,883
Highways and streets	466,092	1,235,631	-	-	-
Community development	476,099	-	-	8,562	152,440
Parks and recreation	1,323,575	-	43,195	4,670	-
Total Expenditures	6,445,961	1,235,631	43,195	36,538	277,323
Revenues Over (Under)					
Expenditures	(272,518)	12,686	20,488	(25,647)	(43,750)
Other Financing Sources (Uses):					
Transfers in	576,418	-	-	7,200	-
Transfers out	(105,789)	-	-	(90,109)	(31,106)
Total Other Financing Sources (Uses)	470,629	-	-	(82,909)	(31,106)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	198,111	12,686	20,488	(108,556)	(74,856)
Fund Balances:					
Beginning of year	1,187,205	39,331	3,709	440,734	1,488,517
End of year	<u>\$ 1,385,316</u>	<u>\$ 52,017</u>	<u>\$ 24,197</u>	<u>\$ 332,178</u>	<u>\$ 1,413,661</u>

See accompanying Notes to Basic Financial Statements.

<u>Major Funds</u>		
<u>Measure J</u>	<u>Non-Major Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 141,415
730,224	-	3,631,794
-	-	115,820
-	-	187,343
-	-	244,360
-	-	99,622
-	-	244,336
1,370	3,386	39,138
-	-	34,436
-	286,031	2,576,071
-	453,949	1,186,233
-	349,248	408,475
3,044	-	648,116
<u>734,638</u>	<u>1,092,614</u>	<u>9,557,159</u>
7,327	-	1,987,324
956,126	-	3,304,513
-	592,896	2,294,619
-	-	637,101
-	39,621	1,411,061
<u>963,453</u>	<u>632,517</u>	<u>9,634,618</u>
<u>(228,815)</u>	<u>460,097</u>	<u>(77,459)</u>
-	25,000	608,618
-	(216,773)	(443,777)
<u>-</u>	<u>(191,773)</u>	<u>164,841</u>
<u>(228,815)</u>	<u>268,324</u>	<u>87,382</u>
<u>500,397</u>	<u>565,062</u>	<u>4,224,955</u>
<u>\$ 271,582</u>	<u>\$ 833,386</u>	<u>\$ 4,312,337</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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 87,382
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	<u>1,689,036</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>(544,931)</u>
Governmental funds did not report additions or retirements to long term liabilities. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those liabilities was allocated to the related departments.	
Compensated absences	6,557
Capital Lease	70,315
Energy Commission Loan, net	6,433
Net OPEB obligation	<u>(130,789)</u>
	<u>(47,484)</u>
Interest on long term debt was not accrued in the funds, but rather was recognized as an expenditure when due.	<u>3,838</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds was reported with governmental activities.	<u>(422,794)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 765,047</u></u>

CITY OF PLACERVILLE

Statement of Net Assets

All Proprietary Funds

June 30, 2010

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Funds
Assets:				
Current assets:				
Cash and investments	\$ 181,061	\$ 89,796	\$ 270,857	\$ 491,965
Cash with fiscal agent	22,367	3,486,055	3,508,422	-
Receivables:				
Accounts	114,274	385,257	499,531	27,705
Interest	203	144	347	29
Utility billings, net	409,564	1,270,264	1,679,828	-
Grants	-	-	-	-
Deferred charges	8,925	506,507	515,432	-
Due from other funds	-	-	-	-
Advances to other funds	-	470,000	470,000	936,902
Total current assets	736,394	6,208,023	6,944,417	1,456,601
Capital assets:				
Nondepreciable:				
Land and improvements	227,579	1,969,327	2,196,906	-
Construction in progress	763,035	58,023,843	58,786,878	-
Depreciable:				
Buildings and structures	4,021,763	14,039,909	18,061,672	-
Machinery and equipment	105,636	822,317	927,953	-
Infrastructure	21,059,277	22,779,712	43,838,989	-
Accumulated depreciation	(21,515,265)	(30,116,450)	(51,631,715)	-
Total capital assets, net	4,662,025	67,518,658	72,180,683	-
Total Assets	5,398,419	73,726,681	79,125,100	1,456,601
Liabilities:				
Current liabilities:				
Accounts payable	105,486	158,523	264,009	18,154
Deposits	31,946	2,573	34,519	-
Due to other funds	-	650,563	650,563	-
Current portion of long-term debt	16,260	1,647,232	1,663,492	-
Total current liabilities	153,692	2,458,891	2,612,583	18,154
Long-term liabilities:				
Claims payable	-	-	-	355,996
Advances from other funds	490,000	700,000	1,190,000	-
Long-term debt, net	201,969	60,495,517	60,697,486	-
Total long-term liabilities	691,969	61,195,517	61,887,486	355,996
Total Liabilities	845,661	63,654,408	64,500,069	374,150
Net Assets:				
Invested in capital assets, net of related debt	4,443,796	5,375,909	9,819,705	-
Restricted	22,367	3,486,055	3,508,422	-
Unrestricted	86,595	1,210,309	1,296,904	1,082,451
Total Net Assets	\$ 4,552,758	\$ 10,072,273	\$ 14,625,031	\$ 1,082,451

CITY OF PLACERVILLE
Statement of Revenues, Expenditures and Changes in Net Assets
All Proprietary Funds
For the Year Ended June 30, 2010

	Major Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Service charges	\$ 1,541,267	\$ 4,490,246	\$ 6,031,513	\$ 329,360
Other revenues	6,708	91,724	98,432	-
Total Operating Revenues	<u>1,547,975</u>	<u>4,581,970</u>	<u>6,129,945</u>	<u>329,360</u>
Operating Expenses:				
General and administrative	343,294	348,199	691,493	749,311
Maintenance and operation	827,749	2,287,552	3,115,301	-
Depreciation	218,704	537,492	756,196	-
Total Operating Expenses	<u>1,389,747</u>	<u>3,173,243</u>	<u>4,562,990</u>	<u>749,311</u>
Operating Income (Loss)	<u>158,228</u>	<u>1,408,727</u>	<u>1,566,955</u>	<u>(419,951)</u>
Nonoperating Revenues and (Expenses):				
Connection fees	-	90,327	90,327	-
Amortization expense	-	(21,104)	(21,104)	-
Interest earnings	1,238	-	1,238	420
Interest expense	(11,582)	(492,473)	(504,055)	-
Total Nonoperating Revenues (Expenses)	<u>(10,344)</u>	<u>(423,250)</u>	<u>(433,594)</u>	<u>420</u>
Income (Loss) Before Transfers	147,884	985,477	1,133,361	(419,531)
Transfers in	-	-	-	242,367
Transfers out	(80,789)	(80,789)	(161,578)	(245,630)
Total Transfers	<u>(80,789)</u>	<u>(80,789)</u>	<u>(161,578)</u>	<u>(3,263)</u>
Net Income (Loss)	67,095	904,688	971,783	(422,794)
Net Assets:				
Beginning of year	4,485,663	9,167,585	13,653,248	1,505,245
End of year	<u>\$ 4,552,758</u>	<u>\$ 10,072,273</u>	<u>\$ 14,625,031</u>	<u>\$ 1,082,451</u>

CITY OF PLACERVILLE
Statement of Cash Flows
All Proprietary Funds
For the Year Ended June 30, 2010

	Major Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash received from customers and users	\$ 1,743,019	\$ 4,212,990	\$ 5,956,009	\$ 301,562
Cash paid to suppliers	(884,804)	(1,864,748)	(2,749,552)	(703,389)
Cash paid to employees	(554,245)	(1,343,390)	(1,897,635)	-
Net Cash Provided (Used) by Operating Activities	<u>303,970</u>	<u>1,004,852</u>	<u>1,308,822</u>	<u>(401,827)</u>
Cash Flows From Noncapital Financing Activities:				
Interfund transfers, net	(80,789)	(80,789)	(161,578)	(3,263)
Interfund loans, net	-	(500,000)	(500,000)	466,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(80,789)</u>	<u>(580,789)</u>	<u>(661,578)</u>	<u>462,737</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from 2006 SRF Loan	-	276,100	276,100	-
Capital asset purchases	(28,618)	(790,805)	(819,423)	-
Capital improvement fees	-	90,327	90,327	-
Principal payments on long-term debt	(15,472)	(218,002)	(233,474)	-
Interest paid	(11,582)	(492,473)	(504,055)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(55,672)</u>	<u>(1,134,853)</u>	<u>(1,190,525)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest received	1,035	25,798	26,833	391
Net Cash Provided (Used) by Investing Activities	<u>1,035</u>	<u>25,798</u>	<u>4,295,727</u>	<u>391</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,544	(684,992)	(516,448)	61,301
Cash and Cash Equivalents:				
Beginning of year	34,884	4,260,843	4,295,727	430,664
End of year	<u>\$ 203,428</u>	<u>\$ 3,575,851</u>	<u>3,779,279</u>	<u>\$ 491,965</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 158,228	\$ 1,408,727	\$ 1,566,955	\$ (419,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	218,704	537,492	756,196	-
Changes in current assets and liabilities:				
Receivables	195,044	(368,980)	(173,936)	(27,798)
Due to other funds	(235,535)	-	(235,535)	-
Accounts payable	(32,471)	(572,387)	(604,858)	7,917
Deposits	-	-	-	-
Claims payable	-	-	-	38,005
Total adjustments	<u>145,742</u>	<u>(403,875)</u>	<u>(258,133)</u>	<u>18,124</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 303,970</u>	<u>\$ 1,004,852</u>	<u>\$ 1,308,822</u>	<u>\$ (401,827)</u>

CITY OF PLACERVILLE

Statement of Net Assets

Fiduciary Funds

June 30, 2010

	PFA Agency Funds	Other Agency Funds	Total
Assets:			
Cash and investments	\$ 76,945	\$ 379,697	\$ 456,642
Receivables:			
Accounts	5,059	34,317	39,376
Interest	8	156	164
Total Assets	<u><u>\$ 82,012</u></u>	<u><u>\$ 414,170</u></u>	<u><u>\$ 496,182</u></u>
Liabilities:			
Accounts payable	\$ -	\$ 12,345	\$ 12,345
Deposits	27,906	401,825	429,731
Due to bondholders	54,106	-	54,106
Total Liabilities	<u><u>\$ 82,012</u></u>	<u><u>\$ 414,170</u></u>	<u><u>\$ 496,182</u></u>

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF PLACERVILLE

Notes to Basic Financial Statements For the Year Ended June 30, 2010

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 Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

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

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. Although currently inactive, the City is in the process of adopting a redevelopment plan. 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.

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 and all accounting and administrative functions are performed by the City.

As a result, these organizations are considered component units of the City and are included within the basic financial statements of the City using the blended method. Separate financial statements of these component units 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. 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% 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 services.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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 Government-wide 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 when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

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 City reports the following major governmental funds:

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

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

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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 City reports the following major proprietary funds:

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

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

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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure issued on or before November 30, 1989.

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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

F. Receivables

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

G. Interfund Balances/Internal Balances

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

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

H. Compensated Absences

Amounts of vested or accumulated vacation, sick leave, compensatory time off, floating holidays, management leave, and related benefits on such compensation that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Interest accrued during capital assets construction, if any, is capitalized for the business-type and enterprise funds as part of the asset cost. For fiscal year ended June 30, 2010, interest was capitalized in the amount of \$415,329.

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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

M. Use of Estimates

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

2. CASH AND INVESTMENTS

A. Cash Deposits

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

At June 30, 2010, the carrying amount of the City’s deposits was \$504,903. Bank balances before reconciling items were \$1,667,951 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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments

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

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

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

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

Realized gain/(loss) on matured/sold investments	\$	-
Unrealized gain/(loss) in changes in fair value of investments		746
Net gain/(loss)		746
Interest income		4,741
Total investment income	\$	5,487

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Cash and Investments with Fiscal Agent. The Cash and Investments with Fiscal Agents in the amount of \$3,610,071 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, 2010:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business	Total	Statement of	Total
	Activities	Activities		Net Assets	
Cash and investments	\$ 690,613	\$ 270,857	\$ 961,470	\$ -	\$ 961,470
Restricted cash and investments	\$ 1,830,855	\$ -	\$ 1,830,855	\$ 456,642	\$ 2,287,497
Cash with fiscal agent	\$ 101,649	\$ 3,508,422	\$ 3,610,071	\$ -	\$ 3,610,071

Deposits and investments were categorized as follows at June 30, 2010:

Investment Type	Fair Value	Investment Maturities (in years) 1 year or less
Cash:		
Cash Deposits	\$ 504,903	\$ 504,903
Petty Cash	2,855	2,855
Total cash:	507,758	507,758
Investments:		
Local Agency Investment Funds	453,712	453,712
Total investments	453,712	453,712
Total cash and investments	\$ 961,470	\$ 961,470
Restricted Cash:		
Cash Deposits	\$ 2,287,497	\$ 2,287,497
Total restricted cash:	\$ 2,287,497	\$ 2,287,497
Cash with Fiscal Agents:		
Money Market Funds	\$ 3,610,071	\$ 3,610,071
Total cash with fiscal agents	\$ 3,610,071	\$ 3,610,071

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2010, the City's pooled cash and investments had the following maturities:

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

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

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

The City's investments are only in Local Agency Investment Fund which is not rated by a NRSRO.

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

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included as income for the fiscal year. Changes in value in the fiscal year ended June 30, 2010, amounted to an unrealized gain of \$746.

F. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2010, 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, 2010, the City had \$453,712 invested in LAIF, which had invested 5.42% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.001643776 was used to calculate the fair value of the investments in LAIF.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

3. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To, Due From

At June 30, 2010, the City had the following short-term interfund receivables and payables:

Due To	Due From					Total
	Governmental Activities			Business-Type Activities		
	General Fund	Transportation Development	Park Development	Grants	Sewer	
<i>Governmental Activities:</i>						
General Fund	\$ -	\$ -	\$ 8,335	\$ 31,106	\$ 616,896	\$ 656,337
Park Development	-	8,628	-	-	-	8,628
Capital Project	100,566	-	-	-	27,000	127,566
Non-Major	-	-	-	-	6,667	6,667
Totals	\$ 100,566	\$ 8,628	\$ 8,335	\$ 31,106	\$ 650,563	\$ 799,198

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

Transfers

At June 30, 2010, the City had the following transfers:

Transfers Out	Transfers In				
	Governmental Activities			Business-Type Activities	
	General	Capital Projects	Non- Major	Internal Service Fund	Total
<i>Governmental Activities:</i>					
General	\$ -	\$ -	\$ 25,000	\$ 80,789	\$ 105,789
Capital Projects	90,109	-	-	-	90,109
Grants	31,106	-	-	-	31,106
Non-Major	216,773	-	-	-	216,773
<i>Business-Type Activities:</i>					
Water	-	-	-	80,789	80,789
Sewer	-	-	-	80,789	80,789
<i>Internal Service Funds</i>	238,430	7,200	-	-	245,630
Total	\$ 576,418	\$ 7,200	\$ 25,000	\$ 242,367	\$ 850,985

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2010, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land and improvements	\$ 12,466,323	\$ 2,196,906	\$ 14,663,229
Construction in process	5,214,615	58,786,878	64,001,493
Total nondepreciable assets	<u>17,680,938</u>	<u>60,983,784</u>	<u>78,664,722</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	(7,051,014)	(51,631,715)	(58,682,729)
Total depreciable assets, net	<u>11,741,203</u>	<u>11,196,899</u>	<u>22,938,102</u>
Total capital assets	<u><u>\$ 29,422,141</u></u>	<u><u>\$ 72,180,683</u></u>	<u><u>\$ 101,602,824</u></u>

As explained in Note 1, the City implemented new GASB pronouncements as related to capital assets. In fiscal year ended June 30, 2010, the City counted, valued and reported its capital assets, including infrastructure for its business-type activities, as shown in the following tables. The following is a summary of capital assets for governmental activities:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Non-Depreciable Assets:</i>				
Land and improvements	\$ 12,405,684	\$ 60,639	\$ -	\$ 12,466,323
Construction in progress	3,586,218	1,628,397	-	5,214,615
Total Nondepreciable assets	<u>15,991,902</u>	<u>1,689,036</u>	<u>-</u>	<u>17,680,938</u>
<i>Depreciable Assets:</i>				
Buildings and structures	11,482,147	-	-	11,482,147
Machinery and equipment	3,232,192	-	-	3,232,192
Infrastructure	4,077,878	-	-	4,077,878
Total depreciable assets	<u>18,792,217</u>	<u>-</u>	<u>-</u>	<u>18,792,217</u>
Less accumulated depreciation	(6,506,083)	(544,931)	-	(7,051,014)
Total Depreciable assets, net	<u>12,286,134</u>	<u>(544,931)</u>	<u>-</u>	<u>11,741,203</u>
Total Governmental activities	<u><u>\$ 28,278,036</u></u>	<u><u>\$ 1,144,105</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,422,141</u></u>

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2010 was as follows:

General government	\$	268,768
Public safety		96,699
Highways and streets		154,735
Parks and recreation		<u>24,729</u>
Total	\$	<u>544,931</u>

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Non-depreciable Assets:</i>				
Land and improvements	\$ 2,196,906	\$ -	\$ -	\$ 2,196,906
Construction in progress	50,855,139	7,931,739	-	58,786,878
Total Nondepreciable assets	<u>53,052,045</u>	<u>7,931,739</u>	<u>-</u>	<u>60,983,784</u>
<i>Depreciable Assets:</i>				
Buildings and structures	18,061,672	-	-	18,061,672
Machinery and equipment	927,953	-	-	927,953
Infrastructure	43,838,989	-	-	43,838,989
Total depreciable assets	<u>62,828,614</u>	<u>-</u>	<u>-</u>	<u>62,828,614</u>
Less accumulated depreciation	<u>(50,875,519)</u>	<u>(756,196)</u>	<u>-</u>	<u>(51,631,715)</u>
Total depreciable assets, net	<u>11,953,095</u>	<u>(756,196)</u>	<u>-</u>	<u>11,196,899</u>
Total business-type activities	<u>\$ 65,005,140</u>	<u>\$ 7,175,543</u>	<u>\$ -</u>	<u>\$ 72,180,683</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2010, were as follows:

Water	\$	218,704
Sewer		<u>537,492</u>
Total	\$	<u>756,196</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, Continued For the Year Ended June 30, 2010

5. LONG-TERM DEBT

A. Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 317,914	\$ 1,663,492	\$ 1,981,406
Noncurrent portion of long-term debt:			
Compensated absences	836,643	-	836,643
1997 State Revolving Loan	-	1,566,858	1,566,858
2006 State Revolving Loan	-	41,250,608	41,250,608
2006 Sewer Revenue Bonds	-	17,215,000	17,215,000
Energy Commission Loan	17,915	-	17,915
Capital Lease	919,531	549,008	1,468,539
2008 Vactor Truck Lease	-	116,012	116,012
Total noncurrent portion of long-term debt	1,774,089	60,697,486	62,471,575
Total long-term debt	\$ 2,092,003	\$ 62,360,978	\$ 64,452,981

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due within one year	Due in more than one year
Compensated Absences	\$ 1,080,527	\$ -	\$ 6,557	\$ 1,073,970	\$ 237,327	\$ 836,643
Capital Lease	1,063,743	-	70,315	993,428	73,897	919,531
Energy Commission Loan	31,038	-	6,433	24,605	6,690	17,915
Total	\$ 2,175,308	\$ -	\$ 83,305	\$ 2,092,003	\$ 317,914	\$ 1,774,089

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due within one year	Due in more than one year
1997 State Revolving Loan	\$ 1,910,871	\$ -	\$ 169,799	\$ 1,741,072	\$ 174,214	\$ 1,566,858
2006 State Revolving Loan	35,251,964	7,421,079	-	42,673,043	1,422,435	41,250,608
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	-	17,215,000
Capital Lease	635,241	-	42,046	593,195	44,187	549,008
2008 Vactor Truck	160,297	-	21,629	138,668	22,656	116,012
Total	\$ 55,173,373	\$ 7,421,079	\$ 233,474	\$ 62,360,978	\$ 1,663,492	\$ 60,697,486

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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 \$1,073,970. 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
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	144,043	52,429	196,472
2016-2020	838,025	144,334	982,359
2021	94,891	2,410	97,301
Total	\$ 1,586,623	\$ 475,397	\$ 2,062,020

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
2011	\$ 22,656	\$ 6,241	\$ 28,897
2012	23,730	5,166	28,896
2013	24,857	4,040	28,897
2014	26,036	2,861	28,897
2015	27,271	1,625	28,896
2016	14,118	330	14,448
Total	\$ 138,668	\$ 20,263	\$ 158,931

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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, 2010
Building and structures	\$ 2,052,000
Machinery and equipment	195,394
Assets under capitalized lease, at cost	2,247,394
Accumulated depreciation	(227,887)
Assets under capitalized lease, net	\$ 2,019,507

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,			
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	\$ 24,605	\$ 1,984	\$ 26,589

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, 2010, required 38% of net revenues. The total remaining principal and interest to be paid on the bonds is \$34,812,743. Interest paid for the current year and total net revenues were \$830,657 and \$2,173,759, 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 beginning 2016.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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
2011	\$ -	\$ 830,657	\$ 830,657
2012	-	830,657	830,657
2013	-	830,657	830,657
2014	-	830,658	830,658
2015	-	830,658	830,658
2016-2020	297,500	4,149,388	4,446,888
2021-2025	1,160,000	3,998,966	5,158,966
2026-2030	4,325,000	3,666,833	7,991,833
2031-2035	11,432,500	1,629,269	13,061,769
Total	\$ 17,215,000	\$ 17,597,743	\$ 34,812,743

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, 2010, required 10% of net revenues. The total remaining principal and interest to be paid on the loan is \$1,975,130. Principal and interest paid for the current year and total net revenues were \$219,482 and \$2,173,759, 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
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	193,052	26,431	219,483
2016-2019	823,512	54,207	877,719
Total	\$ 1,741,072	\$ 234,058	\$ 1,975,130

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. The loan is payable solely from wastewater net revenues. Payments begin in September 2010 and are payable through 2040.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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
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	1,422,435	-	1,422,435
2016-2020	7,112,174	-	7,112,174
2021-2025	7,112,174	-	7,112,174
2026-2030	7,112,174	-	7,112,174
2031-2035	7,112,174	-	7,112,174
2036-2040	7,112,172	-	7,112,172
Total	\$ 42,673,043	\$ -	\$ 42,673,043

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

Year Ending June 30,	Principal	Interest	Total
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	1,777,416	924,325	2,701,741
2015	1,786,800	911,142	2,697,942
2016-2020	9,085,326	4,348,260	13,433,586
2021-2025	8,367,066	4,001,376	12,368,442
2026-2030	11,437,174	3,666,833	15,104,007
2031-2035	18,544,674	1,629,269	20,173,943
2036-2040	7,112,178	-	7,112,178
Total	\$ 63,379,011	\$ 18,329,445	\$ 81,708,456

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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 creditable salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$334,509 for the year ended June 30, 2010. The City is required to contribute for fiscal year 2009/2010 at an actuarially determined rate of 15.866% and 26.332% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost

For 2009/2010 the City's annual pension cost of \$1,123,177 for PERS was equal to the City's annual required contribution. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.25% to 14.45% for 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, 2007, was 16 years for both miscellaneous and safety employees for prior and current service unfunded liabilities.

THREE YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 1,286,470	100%	\$ -
June 30, 2009	1,315,404	100%	-
June 30, 2010	1,123,177	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, Continued For the Year Ended June 30, 2010

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 \$2,171,594 at June 30, 2010, have been removed from the basic financial statements of the City, with no impact on fund equity.

8. POST-RETIREMENT MEDICAL CARE BENEFITS

A. *Plan Description*

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

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

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

B. *Funding Policy*

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

The City is evaluating various options for funding the post retirement medical benefits liability. The City has not established a trust for purposes of funding the required retiree medical insurance contribution but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans on funding a portion or all of the Annual Required Contribution each year based upon projections from the July 1, 2009, actuarial valuation study performed by Demsey, Filliger & Associates. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

C. *Annual OPEB Cost and Net OPEB Obligation*

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

8. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

C. Annual OPEB Cost and Net OPEB Obligation, Continued

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

Annual required contribution	\$ 270,100
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	270,100
Contributions made	(139,311)
Increase (decrease) in net OPEB obligation	130,789
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 130,789

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contribution	Net OPEB Obligation
6/30/2010	\$ 270,100	\$ (139,311)	-50%	\$ 130,789

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	\$ -	\$ 2,179,162	\$ 2,179,162	0%	\$ 5,216,335	41.78%

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

8. POST-RETIREMENT HEALTH CARE BENEFITS, Continued

D. Actuarial Methods and Assumptions

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

E. Actuarial Cost Method

In the June 30, 2010 actuarial valuation, the actuarial cost shown in the report were developed using the projected unit credit cost method.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

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

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

A discount rate of 5.00% was assumed. This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively. Pre-retirement turnover was based on 140% of the Crocker-Sarason Table T-5 less mortality. The pre-retirement mortality was based on the 1994 Group Annuity Mortality, male and female tables. The post-retirement mortality was based on the 1994 Group Annuity Mortality, male and female tables.

9. CLASSIFICATION OF FUND BALANCE AND OTHER FUND DISCLOSURES

Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. In governmental funds, 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	\$ 5,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,600
Special programs	-	-	-	-	1,413,661	271,582	95,587	1,780,830
Capital projects	203,716	52,017	24,197	332,178	-	-	737,799	1,349,907
Total reserved	<u>209,316</u>	<u>52,017</u>	<u>24,197</u>	<u>332,178</u>	<u>1,413,661</u>	<u>271,582</u>	<u>833,386</u>	<u>3,136,337</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><u>\$ 1,385,316</u></u>	<u><u>\$ 52,017</u></u>	<u><u>\$ 24,197</u></u>	<u><u>\$ 332,178</u></u>	<u><u>\$ 1,413,661</u></u>	<u><u>\$ 271,582</u></u>	<u><u>\$ 833,386</u></u>	<u><u>\$ 4,312,337</u></u>

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

9. CLASSIFICATION OF FUND BALANCE AND OTHER FUND DISCLOSURES, Continued

Fund Equity Deficits

The Parking District Special Revenue Fund, which is a non-major fund, has an accumulated deficit of \$(263,317) at June 30, 2010. This amount will be offset with charges for services increases in future years.

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, 2009 and 2010:

	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
2009-2010	317,991	124,846	(86,841)	355,996

Northern California Cities Self Insurance Fund

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

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

Banking Layer - The banking layer is the members' deductible portion of each claim. As part of its services to members, a portion of their contributions is used to pay their deductibles. If a member's balance is insufficient, the Authority advances the necessary amount and bills the member in the following year.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

10. RISK MANAGEMENT, Continued

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, 2010:

Total Assets (Primarily Investments)	\$	51,245,845
Total Liabilities		30,318,510
Net Assets		20,927,335
Total Revenues		16,641,297
Total Expenses		13,987,495
Net Income (Loss)		2,653,802

Public Agency Risk Sharing Authority of California

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

The General Liability program, a shared risk pool, total coverage of \$35 million. The first one million dollar layer, in excess of the City's \$50,000 retention, per occurrence is covered by PARSAC. The second layer of four million dollars is insured by the California State Association of Counties (CSAC). The third layer of ten million dollars is covered by reinsurance. The fourth excess layer of twenty 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, 2010:

Total Assets (primarily investments)	\$	36,523,901
Total Liabilities		14,824,540
Net Assets		21,699,361
Total Revenues		12,629,773
Total Expenses		8,096,753
Operating Income		4,533,020

11. CITY AGREEMENTS WITH CERTAIN OTHER GOVERNMENTAL UNITS

El Dorado County Fire Protection District

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

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

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

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

11. CITY AGREEMENTS WITH CERTAIN OTHER GOVERMENTAL UNITS, Continued

For the year ended June 30, 2010, City property tax revenue assigned to the District amounted to approximately \$1,500,000.

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.

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 would have a minimal affect on the City's business taxes.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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

Placerville Public Financing Authority (Authority) is a legal joint powers entity created by the City and its Redevelopment Agency. The Authority's Board of Directors is comprised of the City's Council Members, City Manager and Finance Director, and all accounting and administrative functions are performed by the City. Neither the City nor the Authority have any obligation to advance its own funds toward payments to bondholders, other than the City's obligation to make payments on its sewer revenue bonds and an installment purchase agreement and to pay over assessment payments received from property owners as discussed below and the Authority's obligation to make payments from funds received from the City. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts held by the Trustee, are the sole security for payment to bondholders, other than payments on the City's sewer revenue bonds and an installment purchase agreement. In the event of delinquency in payment of assessment or supplemental assessments, the City is responsible for foreclosure and auction proceedings on assessed property. The aggregate principal balance of the Revenue Bonds issued by the Authority outstanding at June 30, 2010, was \$1,622,554 which is not included in these accompanying basic financial statements.

Limited Obligation Assessment Bonds and Revenue Bonds

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

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

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

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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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

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.

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.

CITY OF PLACERVILLE

Notes to Basic Financial Statements, Continued For the Year Ended June 30, 2010

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

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.

**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, 2010, proceeds of taxes did not exceed allowable appropriations.

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

CITY OF PLACERVILLE

**Required Supplementary Information, Continued
For the Year Ended June 30, 2008**

2. SCHEDULE OF FUNDING PROGRESS

A. Funded Status of Plan – Safety and Miscellaneous Employees

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

B. Funded Status of Plan – Other Post Employment Benefits

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	\$ -	\$ 2,179,162	\$ 2,179,162	0%	\$ 5,216,335	41.78%

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CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Property taxes	\$ 197,846	\$ 186,400	\$ 141,415	\$ (44,985)
Sales tax	3,039,162	2,867,644	2,901,570	33,926
Transient occupancy taxes	172,000	141,299	115,820	(25,479)
Other taxes	156,000	185,654	187,343	1,689
Franchise fees	281,370	245,857	244,360	(1,497)
Licenses and permits	75,000	75,000	99,622	24,622
Fines and forfeitures	251,200	224,892	244,336	19,444
Use of money and property:				
Interest earnings	20,000	8,061	-	(8,061)
Rentals and concessions	35,870	31,770	34,436	2,666
Intergovernmental	823,837	864,228	854,068	(10,160)
Charges for services	760,423	718,308	711,164	(7,144)
Other revenue	826,662	829,624	639,309	(190,315)
Total Revenues	<u>6,639,370</u>	<u>6,378,737</u>	<u>6,173,443</u>	<u>(205,294)</u>
Expenditures:				
General government	2,281,322	2,248,636	1,956,691	291,945
Public safety	2,267,971	2,214,309	2,223,504	(9,195)
Highways and streets	438,336	492,352	466,092	26,260
Community development	431,748	465,441	476,099	(10,658)
Parks and recreation	1,537,675	1,379,736	1,323,575	56,161
Total Expenditures	<u>6,957,052</u>	<u>6,800,474</u>	<u>6,445,961</u>	<u>354,513</u>
Revenues Over (Under) Expenditures	<u>(317,682)</u>	<u>(421,737)</u>	<u>(272,518)</u>	<u>149,219</u>
Other Financing Sources (Uses):				
Transfers in	422,312	422,312	576,418	154,106
Transfers out	(104,630)	(104,630)	(105,789)	(1,159)
Total Other Financing Sources (Uses)	<u>317,682</u>	<u>317,682</u>	<u>470,629</u>	<u>152,947</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (104,055)</u>	198,111	<u>\$ 302,166</u>
Fund Balances:				
Beginning of year			<u>1,187,205</u>	
End of year			<u>\$ 1,385,316</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, 2010

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ -	\$ 1,300	\$ 1,277	\$ (23)
Intergovernmental	1,400,000	1,250,000	1,247,040	(2,960)
Total Revenues	<u>1,400,000</u>	<u>1,251,300</u>	<u>1,248,317</u>	<u>(2,983)</u>
Expenditures:				
Highways and streets	1,400,000	1,250,000	1,235,631	14,369
Total Expenditures	<u>1,400,000</u>	<u>1,250,000</u>	<u>1,235,631</u>	<u>14,369</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>1,300</u>	<u>12,686</u>	<u>11,386</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>\$ -</u>	<u>\$ 1,300</u>	12,686	<u>\$ 11,386</u>
Fund Balances:				
Beginning of year			<u>39,331</u>	
End of year			<u>\$ 52,017</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, 2010

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	22,000	22,000	21,120	(880)
Grant revenue	37,000	37,000	36,800	(200)
Other revenue	5,800	5,800	5,763	(37)
Total Revenues	<u>64,800</u>	<u>64,800</u>	<u>63,683</u>	<u>(1,117)</u>
Expenditures:				
Parks and recreation	44,200	44,200	43,195	1,005
Total Expenditures	<u>44,200</u>	<u>44,200</u>	<u>43,195</u>	<u>1,005</u>
Revenues Over (Under) Expenditures	<u>20,600</u>	<u>20,600</u>	<u>20,488</u>	<u>(112)</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>\$ 20,600</u>	<u>\$ 20,600</u>	20,488	<u>\$ (112)</u>
Fund Balances (Deficit):				
Beginning of year			<u>3,709</u>	
End of year			<u>\$ 24,197</u>	

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Grants Fund
For the Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ -	\$ 33,000	\$ 32,773	\$ (227)
Grant revenue	100,000	201,000	200,800	(200)
Other revenue	-	-	-	-
Total Revenues	<u>100,000</u>	<u>234,000</u>	<u>233,573</u>	<u>(427)</u>
Expenditures:				
Public safety	100,000	125,000	124,883	117
Community development	98,766	153,000	152,440	560
Total Expenditures	<u>198,766</u>	<u>278,000</u>	<u>277,323</u>	<u>677</u>
Revenues Over (Under) Expenditures	<u>(98,766)</u>	<u>(44,000)</u>	<u>(43,750)</u>	<u>250</u>
Other Financing Sources (Uses):				
Transfers, net	-	-	(31,106)	(31,106)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(31,106)</u>	<u>(31,106)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (98,766)</u>	<u>\$ (44,000)</u>	(74,856)	<u>\$ (30,856)</u>
Fund Balances:				
Beginning of year			<u>1,488,517</u>	
End of year			<u>\$ 1,413,661</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, 2010

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Use of money and property:				
Interest earnings	\$ 6,000	\$ 1,400	\$ 1,370	\$ (30)
Intergovernmental	789,640	740,000	733,268	(6,732)
Total Revenues	<u>795,640</u>	<u>741,400</u>	<u>734,638</u>	<u>(6,762)</u>
Expenditures:				
General government	7,896	7,400	7,327	73
Public safety	945,564	956,000	956,126	(126)
Total Expenditures	<u>953,460</u>	<u>963,400</u>	<u>963,453</u>	<u>(53)</u>
Revenues Over (Under) Expenditures	<u>(157,820)</u>	<u>(222,000)</u>	<u>(228,815)</u>	<u>(6,815)</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>\$ (157,820)</u>	<u>\$ (222,000)</u>	(228,815)	<u>\$ (6,815)</u>
Fund Balances:				
Beginning of year			<u>500,397</u>	
End of year			<u>\$ 271,582</u>	

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**SUPPLEMENTARY
INFORMATION**

CITY OF PLACERVILLE

**Balance Sheet
Non-Major Funds
June 30, 2010**

	Special Revenue Funds				Total
	Gas Tax	Development Impact	BAD, CFD, & LLMD	Parking District	
Assets:					
Cash and investments	\$ 123,375	\$ 874,149	\$ 100,642	\$ 717	\$ 1,098,883
Restricted:					
Receivables:					
Accounts	26,112	35,253	1,270	32,146	94,781
Interest	-	326	34	-	360
Grant	-	-	-	-	-
Due from other funds	6,667	-	-	-	6,667
Total Assets	\$ 156,154	\$ 909,728	\$ 101,946	\$ 32,863	\$ 1,200,691
Liabilities:					
Accounts payable	\$ -	\$ 64,766	\$ 6,359	\$ 11,150	\$ 82,275
Deposits	-	-	-	2,259	2,259
Restricted:					
Advances to other funds	-	-	-	282,771	282,771
Total Liabilities	-	64,766	6,359	296,180	367,305
Fund Balances (Deficit):					
Reserved	156,154	844,962	95,587	(263,317)	833,386
Total Fund Balances (Deficit)	156,154	844,962	95,587	(263,317)	833,386
Total Liabilities and Fund Balances (Deficit)	\$ 156,154	\$ 909,728	\$ 101,946	\$ 32,863	\$ 1,200,691

CITY OF PLACERVILLE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended June 30, 2010

	Special Revenue Funds				Total
	Gas Tax	Development Impact	BAD, CFD, & LLMD	Parking District	
Revenues:					
Use of money and property:					
Interest earnings	\$ -	\$ 3,126	\$ 260	\$ -	\$ 3,386
Intergovernmental	286,031	-	-	-	286,031
Grant revenue	205,460	143,788	-	-	349,248
Charges for services	-	269,092	77,152	107,705	453,949
Total Revenues	<u>491,491</u>	<u>416,006</u>	<u>77,412</u>	<u>107,705</u>	<u>1,092,614</u>
Expenditures:					
Highways and streets	256,866	183,655	6,229	146,146	592,896
Parks and recreation	-	-	39,621	-	39,621
Total Expenditures	<u>256,866</u>	<u>183,655</u>	<u>45,850</u>	<u>146,146</u>	<u>632,517</u>
Revenues Over (Under)					
Expenditures	<u>234,625</u>	<u>232,351</u>	<u>31,562</u>	<u>(38,441)</u>	<u>460,097</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	25,000	25,000
Transfers out	(216,773)	-	-	-	(216,773)
Total Other Financing Sources (Uses)	<u>(216,773)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(191,773)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,852	232,351	31,562	(13,441)	268,324
Fund Balances (Deficit):					
Beginning of year	<u>138,302</u>	<u>612,611</u>	<u>64,025</u>	<u>(249,876)</u>	<u>565,062</u>
End of year	<u>\$ 156,154</u>	<u>\$ 844,962</u>	<u>\$ 95,587</u>	<u>\$ (263,317)</u>	<u>\$ 833,386</u>