

**CITY OF NEVADA CITY,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEAR ENDED
JUNE 30, 2011**

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CITY OF NEVADA CITY
Annual Financial Report
For the Year Ended June 30, 2011

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INTRODUCTORY SECTION

- **List of Officials**

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CITY OF NEVADA CITY
City Officials
For the Year Ended June 30, 2011

CITY COUNCIL

Robert Bergman, Mayor

Duane Strawser, Vice Mayor

David McKay

Reinette Senum

Sally Harris

CITY STAFF

Gene Albaugh, City Manager

Niel Locke, City Clerk

Harold DeGraw, City Attorney

Sam Goodspeed, Fire Chief

Lou Trovato, Chief of Police

William J. Falconi, City Engineer

Verne Taylor, Director of Public Works

Catrina Andes, Finance Director

Cindy Siegfried, City Planner

Andy Howard, Treasurer

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining Nonmajor Fund Statements**

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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Nevada City
Nevada City, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada City, California (City), as of and for the year ended June 30, 2011, 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, 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 November 29, 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
City of Nevada City
Nevada City, California

The Management Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 introductory section and combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in dark ink.

Smith & Newell CPA's
Yuba City, California
November 29, 2011

**Management's Discussion and Analysis
(Unaudited)**

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**CITY OF NEVADA CITY, CALIFORNIA
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2010/2011**

The following discussion provides users of the City of Nevada City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2011. Please read this document in conjunction with the basic financial statements and the accompanying notes to those financial statements.

The City has a diverse local economy based on business and industry, local government employment, and tourism. This allows the City to provide a variety of services to all citizens. There continues to be an overall slowing in the local economy, general fund revenues continue to be flat with a slight uptick in business activity revenue, due to lack of reserves and virtually flat revenues, controlled City spending throughout the fiscal year continues to be warranted.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2011:

Entity-wide:

- ❑ The City's assets at the end of the year increased to \$27,843,904 up \$2,218,545 from the previous fiscal year. Of this total, \$13,881,319 is Governmental assets up \$2,205,741 from the previous fiscal year, and \$13,962,585 is Business Type assets down \$32,196 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year increased to \$6,865,070 up \$416,143 from the previous fiscal year. Of this total, \$1,482,043 is Governmental liabilities up \$592,102 from the previous fiscal year, and \$5,383,027 is Business Type liabilities down \$175,959 from the previous fiscal year.
- ❑ The net affect of the changes in assets and liabilities left the City's net assets at \$20,978,834 up \$1,802,402 from the previous fiscal year. Of this total, \$12,399,276 is Governmental up \$1,658,639 from the previous fiscal year, and \$8,579,558 is Business type up \$143,763 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$2,234,801 and general revenues of \$3,301,044 for a total revenue amount of \$5,535,845. Governmental expenses were \$3,972,753.
- ❑ Business-type revenues include program revenues of \$2,180,004 and general revenues of (\$86,232) for total revenues of \$2,093,772. Business Type expenses were \$1,950,009.

Fund level:

- ❑ Governmental Fund Balances at the end of the fiscal year were \$840,101 up \$240,541 from the prior fiscal year.
- ❑ Governmental Fund revenues were \$5,359,974 in 2011 compared to \$4,123,158 in 2010 for an increase of \$1,236,816.
- ❑ Governmental Fund expenditures of \$5,404,921 increased by \$1,483,550 from the prior fiscal year.

General Fund:

- ❑ The General Fund revenues were \$3,112,814, an increase of \$1,916 from the prior fiscal year.
- ❑ General Fund expenditures of \$3,376,047 represent a decrease of \$71,291 from the prior fiscal year.
- ❑ General Fund other financing sources for the year totaled \$452,093 for an increase of \$221,520 from 2010.
- ❑ At the end of the fiscal year, the fund balance for the General Fund was 194,947 which included a prior period adjustment of \$95,547.

OVERVIEW OF THE CITY'S ANNUAL FINANCIAL REPORT

The discussion and analysis that follows is intended to serve as an introduction to the City's basic financial statements. These statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Financial Statements. This report also contains required supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, presented in a format similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with differences between the two reported as net assets. Net assets increase or decrease each year based on whether government-wide revenues exceeded the related expenditures (increase), or government-wide expenditures exceeded revenues (decrease). The change in net assets over time may provide a useful tool in measuring whether or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents financial information on the material types of revenue and expenditure transactions that occurred during the fiscal year that created the increase (decrease) in net assets. All transactions are reported in the year in which they have been consummated, and not when the cash is received or paid. For example, uncollected taxes are accrued as revenue in these financial statements and earned but unused vacation pay are expensed in the period earned.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental 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 public safety (police & fire), public works streets and facilities maintenance, engineering, parks and recreation, land use planning, and general city administration responsibilities. The business-type activities of the City include water and sewer utility operations.

The government-wide financial statements include the City only (known as the primary government). There are no component or blended component units that are part of the City's operations.

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal or contractual responsibilities. All of the funds of the City can be divided into the following categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the City's basic services are reported in governmental funds. These funds focus on how money flows into and out of these funds and balances left at year end that are available for subsequent expenditure. These funds are reported using an accounting method called "modified accrual" which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides.

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 so doing, 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 the comparison between governmental funds and governmental activities.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers. Proprietary funds are meant to be financially self-supporting. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City's proprietary funds are used to account for the water and sewer services provided by the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties other than the City. The accounting used for fiduciary funds is much like that of the proprietary funds. The fiduciary fund activity is excluded from the City's other financial statements, because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

The notes to the financial statements provide additional information for readers that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1 to 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities and Tables 3 to 6 focuses on the City's Business-type Statement of Net Assets and Statement of Activities.

Governmental Activities:

Table 1
Governmental Net Assets at June 30

	<u>2011</u>	<u>2010</u>
Cash and investments	\$1,315,708	\$751,952
Other assets	775,661	395,317
Capital assets	11,789,950	10,483,309
Total Assets	\$13,881,319	\$11,630,578
Current liabilities	1,267,172	526,292
Long term debt	214,871	363,649
Total Liabilities	\$1,482,043	\$889,941
Net Assets:		
Invested in Capital assets, net of related debt	\$11,403,799	\$10,019,000
Restricted	777,419	989,490
Unrestricted	218,058	(267,853)
Total Net Assets	\$12,399,276	\$10,740,637

The City's Governmental net assets were \$12,399,276 as of June 30, 2011, an increase of \$1,658,639 over the prior fiscal year. This increase is the change in net assets shown in Table 1. The City's Governmental Net Assets as of June 30, 2011 were comprised of the net of the following:

- Cash of \$1,315,708 held in the State of California's Local Agency Investment Fund and the City's money market savings and general checking accounts.
- Receivables of \$635,561 comprised of accrued revenues and amounts due from other funds.
- Prepaid costs of \$140,100.
- Capital assets net of depreciation charges of \$11,789,950, this includes all of the City's infrastructure as well as other capital assets used in government activities, see Notes 1 and 4 for additional information on capital assets.
- Current liabilities including accounts payable, accrued expenses, employee leave time earned but not yet used and amounts due to other funds totaling \$917,571
- Long term debt of \$564,472 of which \$214,871 matures in future years and \$349,601 is due within one year. Note 7 provides additional detail on the City's long term debt.

Table 2
Changes in Governmental Net Assets June 30

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for service	\$582,454	\$506,812
Grants and contributions	1,652,347	458,684
General Revenues:		
Property taxes	1,425,068	1,700,566
Other taxes	1,462,026	1,294,947
Interest and Investment Earnings	79,741	68,354
General revenues and transfers	334,209	132,181
Total Revenues	\$5,535,845	\$4,161,544
Program Expenses:		
General government	\$1,277,976	\$989,968
Public Safety	1,756,704	1,824,540
Public works	628,669	702,771
Parks and Recreation	288,008	312,645
Interest on Long-term debt	21,396	33,812
Total expenses	\$3,972,753	\$3,863,736
Net (Expense) Revenue	1,563,092	297,808
Prior Period Adjustment	95,547	0
Change in Net Assets	\$1,658,639	\$297,808

Total Governmental revenues increased by 33% from the prior fiscal year. Other taxes (includes sales and use tax, franchise tax, and transient occupancy tax). Sales and use tax increased 16% from the previous fiscal year with Measure “S” collections being \$529,534 and sales tax being \$616,890. The combined franchise tax and transient occupancy tax increased 6% from the previous fiscal year collections. The City’s sales tax revenue can fluctuate with the activity of several large businesses that generate a significant percentage of the City’s sales tax. The 2010/2011 assessed property valuations were approximately 5.7% less than that of the fiscal year 2009/2010. The City experienced an increase in interest earnings related to an increase in cash and investment balances and a flat interest rate environment during the 2010/2011 fiscal year. The most significant increase was in other general revenues of 153% relating to operating and capital grants received during the 2010/2011 fiscal year.

Total Governmental expenses increased 2.8% from the previous fiscal year. The overall increase in program expense of \$109,017 is primarily associated to salary and benefit increases as well as an increase in outside service expenditures. The City received a (TRAN) in the fiscal year 2008/2009 from the Nevada County Treasurer, and used \$626,781 to payoff Nevada City’s CalPERS side fund debt at a reduced interest rate of 2.78% versus the 7.75% that was being charged by CalPERS, and then .72% for fiscal year 2009/2010, and .43% for fiscal year 2010/2011. This savings has offset the continually increasing costs for CalPers benefit expense for fiscal years 2009/2010 and 2010/2011. Also, to continue controlled operational expenses during the fiscal year 2010/2011, a one day a month furlough for miscellaneous employees was continued which had been implemented Citywide in the fiscal year 2008/2009.

Table 2 shows that 40.4% of the City’s Governmental revenues were derived from fees for City services and grants, primarily in grants received of \$985,880, which is a significant increase from the previous fiscal year where City services and grants constituted 23.2% of the City’s Governmental revenues. Overall, the City experienced considerable increase all governmental activities charges for services from the previous fiscal year, with the largest increases associated to public ways and facilities and recreation and culture.

Business-Type Activities:

**Table 3
Business-Type Net Assets at June 30**

	<u>2011</u>	<u>2010</u>
Cash and investments	\$659,194	\$215,599
Other assets	605,374	616,084
Capital assets	12,698,017	13,163,098
Total Assets	\$13,962,585	\$13,994,781
Current liabilities	\$424,017	\$413,234
Long term debt	4,959,010	5,145,752
Total Liabilities	\$5,383,027	\$5,558,986
Net Assets:		
Contributed Capital	\$7,571,009	\$7,859,766
Reserved	230,242	209,458
Unrestricted	778,307	366,571
Total Net Assets	\$8,579,558	\$8,435,795

The City’s Business Type enterprises consist of water and sewer services. Total net assets increased 1.7%, being driven by a decrease in the long term debt in the Wastewater and Water Treatment Plants associated to scheduled principal payments on the Loans Payable and Certificates of Participation for the Water and Wastewater Treatment Plants.

Table 4
Changes in Business-Type Net Assets June 30

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Water	\$582,925	\$530,334
Sewer	1,578,930	1,310,568
Other Enterprise Funds	18,149	16,425
General Revenues and Transfers	(86,232)	99,270
Total Revenues	\$2,093,772	\$1,956,597
Expenses:		
Water	\$611,513	\$687,668
Sewer	1,299,713	1,376,275
Other Enterprise Funds	38,783	30,137
Total Expenses	\$1,950,009	\$2,094,080
Net (Expense) Revenue	143,763	(137,483)
Prior Period Adjustment	0	0
Change in Net Assets	\$143,763	\$(137,483)

The City's Business-type revenues including transfers increased by 7%. Water revenue collection increased 9.92% due to the City's implementation of a tiered water rate structure January 1, 2011. There was a 17.0% increase in Wastewater revenue collection associated with program income collection of \$276,435 for treating surface water runoff from the County Landfill which isn't a fixed revenue source and revenue varies from fiscal year to fiscal year.

There was an overall decrease of 6.9% in total business type activity expense. There were decreases in operational expenses in each of the Water and Wastewater operations for the fiscal year 2010/2011. The decrease in expenses in the Water and Wastewater Departments are associated with a reduction in operational costs for services being provided.

Table 5
Changes in Business-Type Net Assets June 30
Net (Expense) Revenues From Services

	<u>2011</u>	<u>2010</u>
Water Services	\$(51,565)	\$(75,643)
Sewer Services	\$215,962	\$(48,128)
Other Enterprise Funds	\$(20,634)	\$(13,712)
Totals	\$143,763	\$(137,483)

The overall improvement in Net Income for fiscal year 2010/2011 in business type activities from the prior fiscal year relates primarily to increased revenue collection for both Water and Wastewater Services. The Water Services Net Income prior to transfers for the fiscal year 2010/2011 was \$(2,279) versus the Water Services Net Income for the fiscal year 2009/2010 of \$(89,084). This is a 97% increase in the Net Revenues from services from the prior year. The Wastewater Services Net Income prior to transfers for the fiscal year 2010/2011 was \$283,317

versus the Wastewater Services Net Income for the fiscal year 2009/2010 of \$(50,504).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

In fiscal year 2003/2004 the City started recording the cost of its infrastructure assets and expensing them over time (depreciation expense). Infrastructure assets include streets, bridges, storm drains and similar assets used by the general population. Other capital assets include police and fire equipment, buildings, park facilities and water and wastewater facilities.

The cost of infrastructure and other capital assets recorded on the City's financial statements was as shown below:

Table 6
Capital Assets at June 30, 2011
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$1,630,332	\$0	\$1,630,332
Structures & Improvements	12,043,395	17,887,724	29,931,119
Vehicles, machinery, equipment and software	2,074,976	2,611,504	4,686,480
Construction in Progress	459,689	17,126	476,815
Less accumulated depreciation	(4,418,442)	(7,818,337)	(12,236,779)
Totals	\$11,789,950	\$12,698,017	\$24,487,967

The City depreciates capital assets over their estimated useful lives. The purpose of depreciation is to match the expense of capital assets to revenue sources over the asset's useful life so that the cost is borne by the users of the asset. Note 1 to the financial statements provides additional information on capital assets, depreciation methods and useful lives.

The major changes in capital assets in governmental activities for the fiscal year 2010/2011 were in the governmental activities construction in progress additions, land, and land improvements and infrastructure, as well as an increase in the area of vehicles. The City continued to work in many areas during the fiscal year 2010/2011 such as the Gold Flat and Zion Road Interchange funded by Congestion Mitigation and Air Quality Funds (CMAQ), and the Safe Routes to Schools Grant Infrastructure Project. The increase in land pertains to the purchase of Sugarloaf Mountain with funding from Proposition 40 and County Mitigation Funds. The additions in land improvements and infrastructure were associated to a few large capital improvements such as the Broad Street overlay funded by the American Reinvestment and Recovery Act Grant Stimulus Funds, and continued citywide paving work supported by Measure "S" tax funding. The increase in vehicles is attributable to the purchase of a new fire engine that was funded by a grant given by the Federal Emergency Management Agency. The change in capital assets associated to business activities was associated to the reconstruction of the water distribution system on Broad Street prior to the paving overlay that was completed; see Note 4 for additional detail on changes in capital assets during the year.

Debt Administration

At year-end, the City had \$5,740,396 in long term debt outstanding compared to \$5,999,489 at 06/30/10. The City had a decrease in long term debt of \$259,093 associated to principal payments to the United States Department of Agriculture (USDA) for Certificates of Participation Series 2005 and 2007 for the Wastewater Treatment Plant upgrade that began fiscal year 2004/2005. The City also refinanced USDA Sewer Bonds Series A and B and USDA Sewer Fund Promissory note in fiscal year 2007/2008, totaling \$1,016,542 for a reduced interest rate of 4.1% and made scheduled principal payments on the new loan during fiscal year 2010/2011. The City also issued a Transfer of Funds from Nevada County for .43%, leveraging anticipated property tax. This Funds Transfer was used for cash flow purposes for the fiscal year 2010/2011. The original Tax Revenue Anticipation Note (TRAN) taken from Nevada County in 2008/2009 and was used to fund the payoff of the CalPERS side fund for \$626,781 that had an interest rate of 7.75%, the purchase of the DPW Vactron, 500 new water meter replacement, and the Solar Project installation at City Hall, Corp Yard, and the Swimming Pool. The Funds Transfer was for \$905,000 for fiscal year 2010/2011 and was repaid in two installments. The 1st installment of \$452,500 was repaid from the January 2011 Nevada City property tax payment, and the 2nd installment of \$452,500 was repaid from the May 2011 Nevada City property tax payment.

Table 7
Outstanding Debt at June 30, 2011

	Government Activities	Business Activities	Total
Loans Payable	\$73,300	\$1,313,008	\$1,386,308
Certificates of Participation	-	3,814,000	3,814,000
Capital Leases	312,851	-	312,851
Compensated absences payable	178,321	48,916	227,237
Totals	\$564,472	\$5,175,924	\$5,740,396

Contacting the City

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City at 317 Broad Street, Nevada City, CA 95959, or by phone - 530-265-2496.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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CITY OF NEVADA CITY
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,315,708	\$ 659,194	\$ 1,974,902
Accounts receivable	27,471	350,763	378,234
Interest receivable	1,001	1,410	2,411
Taxes receivable	406,815	-	406,815
Due from other governments	451,571	-	451,571
Internal balances	(251,297)	251,297	-
Prepaid costs	1,255	1,904	3,159
Prepaid insurance	138,845	-	138,845
Capital assets:			
Non depreciable assets	2,090,021	17,126	2,107,147
Depreciable assets, net of depreciation	9,699,929	12,680,891	22,380,820
Total capital assets	<u>11,789,950</u>	<u>12,698,017</u>	<u>24,487,967</u>
Total Assets	<u>13,881,319</u>	<u>13,962,585</u>	<u>27,843,904</u>
LIABILITIES			
Accounts payable	699,246	79,193	778,439
Salaries and benefits payable	166,715	24,022	190,737
Deposits payable	-	93	93
Interest payable	291	103,795	104,086
Unearned revenue	51,319	-	51,319
Long-term liabilities:			
Due within one year	349,601	216,914	566,515
Due in more than one year	214,871	4,959,010	5,173,881
Total Liabilities	<u>1,482,043</u>	<u>5,383,027</u>	<u>6,865,070</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,403,799	7,571,009	18,974,808
Restricted for:			
General government	189,410	-	189,410
Public protection	225,388	-	225,388
Public ways and facilities	333,914	-	333,914
Recreation and culture	28,707	-	28,707
Debt service	-	230,242	230,242
Unrestricted	218,058	778,307	996,365
Total Net Assets	<u>\$ 12,399,276</u>	<u>\$ 8,579,558</u>	<u>\$ 20,978,834</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,277,976	\$ 63,931	\$ 559,468	\$ -
Public protection	1,756,704	39,311	333,467	17,427
Public ways and facilities	628,669	354,645	92,945	649,040
Recreation and culture	288,008	124,567	-	-
Interest on long-term debt	21,396	-	-	-
Total Governmental Activities	3,972,753	582,454	985,880	666,467
Business-Type activities:				
Water	611,513	582,925	-	-
Sewer	1,299,713	1,578,930	-	-
Veteran's building	38,783	18,149	-	-
Total Business-Type Activities	1,950,009	2,180,004	-	-
Total	\$ 5,922,762	\$ 2,762,458	\$ 985,880	\$ 666,467

General revenues:

Taxes:

Property taxes

Property transfer tax

Sales and use taxes

Franchise taxes

Transient occupancy taxes

Grants and contributions unrestricted

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Beginning, Restated

Net Assets - Ending

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (654,577)	\$ -	\$ (654,577)
(1,366,499)	-	(1,366,499)
467,961	-	467,961
(163,441)	-	(163,441)
(21,396)	-	(21,396)
(1,737,952)	-	(1,737,952)
-	(28,588)	(28,588)
-	279,217	279,217
-	(20,634)	(20,634)
-	229,995	229,995
(1,737,952)	229,995	(1,507,957)
1,414,182	-	1,414,182
10,886	-	10,886
1,146,424	-	1,146,424
84,285	-	84,285
231,317	-	231,317
14,137	-	14,137
79,741	2,048	81,789
203,431	28,361	231,792
116,641	(116,641)	-
3,301,044	(86,232)	3,214,812
1,563,092	143,763	1,706,855
10,740,637	8,435,795	19,176,432
95,547	-	95,547
10,836,184	8,435,795	19,271,979
\$ 12,399,276	\$ 8,579,558	\$ 20,978,834

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Basic Financial Statements

- **Fund Financial Statements**

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CITY OF NEVADA CITY
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 137,382	\$ 380,142	\$ 798,184	\$ 1,315,708
Accounts receivable	16,146	7,525	3,800	27,471
Interest receivable	-	271	730	1,001
Taxes receivable	175,970	87,700	11,026	274,696
Due from other governments	14,385	-	235,608	249,993
Prepaid costs	1,255	-	-	1,255
Prepaid insurance	138,845	-	-	138,845
Due from other funds	-	-	69,425	69,425
Total Assets	<u>\$ 483,983</u>	<u>\$ 475,638</u>	<u>\$ 1,118,773</u>	<u>\$ 2,078,394</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 90,095	\$ 534,603	\$ 74,548	\$ 699,246
Salaries and benefits payable	147,496	3,534	15,685	166,715
Interest payable	126	-	165	291
Unearned revenue	51,319	-	-	51,319
Due to other funds	-	-	320,722	320,722
Total Liabilities	<u>289,036</u>	<u>538,137</u>	<u>411,120</u>	<u>1,238,293</u>
Fund Balances:				
Nonspendable	140,100	-	-	140,100
Restricted	123,828	-	653,591	777,419
Committed	172,316	-	120,537	292,853
Assigned	315	-	73,927	74,242
Unassigned	(241,612)	(62,499)	(140,402)	(444,513)
Total Fund Balances	<u>194,947</u>	<u>(62,499)</u>	<u>707,653</u>	<u>840,101</u>
Total Liabilities and Fund Balances	<u>\$ 483,983</u>	<u>\$ 475,638</u>	<u>\$ 1,118,773</u>	<u>\$ 2,078,394</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Assets - Governmental Activities
June 30, 2011

Total Fund Balance - Total Governmental Funds	\$ 840,101
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	11,789,950
Other long term assets are not available to pay for current period expenditures and therefore, are not reported in the funds or are deferred in the governmental funds.	
Taxes receivable	132,119
Due from other governments	201,578
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	(73,300)
Capital leases payable	(312,851)
Compensated absences payable	(178,321)
Net Assets of Governmental Activities	\$ 12,399,276

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Measure "S"</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 2,232,336	\$ 529,534	\$ 340,409	\$ 3,102,279
Licenses and permits	155,242	-	-	155,242
Fines and forfeitures	124,073	-	-	124,073
Intergovernmental revenues	294,218	-	1,252,539	1,546,757
Use of money and property	77,494	482	1,765	79,741
Charges for services	148,001	-	-	148,001
Other revenues	81,450	-	122,431	203,881
Total Revenues	<u>3,112,814</u>	<u>530,016</u>	<u>1,717,144</u>	<u>5,359,974</u>
EXPENDITURES				
Current:				
General government	857,644	-	328,229	1,185,873
Public protection	1,645,605	-	344	1,645,949
Public ways and facilities	270,450	36,204	41,318	347,972
Recreation and culture	243,726	-	-	243,726
Debt service:				
Principal	151,458	-	-	151,458
Interest and other charges	21,396	-	-	21,396
Capital outlay	185,768	672,503	950,276	1,808,547
Total Expenditures	<u>3,376,047</u>	<u>708,707</u>	<u>1,320,167</u>	<u>5,404,921</u>
Excess of Revenues Over (Under) Expenditures	<u>(263,233)</u>	<u>(178,691)</u>	<u>396,977</u>	<u>(44,947)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	73,300	73,300
Transfers in	454,337	59,037	102,383	615,757
Transfers out	(2,244)	(13,025)	(483,847)	(499,116)
Total Other Financing Sources (Uses)	<u>452,093</u>	<u>46,012</u>	<u>(308,164)</u>	<u>189,941</u>
Net Change in Fund Balances	<u>188,860</u>	<u>(132,679)</u>	<u>88,813</u>	<u>144,994</u>
Fund Balances - Beginning	(89,460)	70,180	618,840	599,560
Prior Period Adjustment	95,547	-	-	95,547
Fund Balances - Beginning, Restated	<u>6,087</u>	<u>70,180</u>	<u>618,840</u>	<u>695,107</u>
Fund Balances - Ending	<u>\$ 194,947</u>	<u>\$ (62,499)</u>	<u>\$ 707,653</u>	<u>\$ 840,101</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 144,994

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	1,808,547
Less current year depreciation	(518,883)
Other adjustments (including sales and contributions)	16,977

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirements	151,458
Proceeds from new debt	(73,300)

Some revenues reported in the statement of activities will not be collected for several months after the City's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Change in accounts receivable	(203,709)
Change in taxes receivable	44,384
Change in due from other governments	201,578

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in compensated absences	(8,954)
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Change in Net Assets of Governmental Activities \$ 1,563,092

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
ASSETS				
Current Assets:				
Cash and investments	\$ 1,029	\$ 658,165	\$ -	\$ 659,194
Accounts receivable (net of allowance)	126,968	222,372	1,430	350,770
Interest receivable	1	1,409	-	1,410
Due from other funds	-	1,106,466	-	1,106,466
Prepaid costs	319	1,428	157	1,904
Total Current Assets	128,317	1,989,840	1,587	2,119,744
Noncurrent Assets:				
Non depreciable assets	11,599	5,527	-	17,126
Depreciable assets, net of accumulated depreciation	2,125,938	10,554,953	-	12,680,891
Total Noncurrent Assets	2,137,537	10,560,480	-	12,698,017
Total Assets	2,265,854	12,550,320	1,587	14,817,761
LIABILITIES				
Current Liabilities:				
Accounts payable	25,070	51,794	2,329	79,193
Salaries and benefits payable	9,348	13,779	895	24,022
Deposits payable	-	-	100	100
Interest payable	5,525	98,203	67	103,795
Due to other funds	772,729	-	82,440	855,169
Compensated absences	22,054	12,188	-	34,242
Certificates of participation	-	49,000	-	49,000
Loans payable	80,602	53,070	-	133,672
Total Current Liabilities	915,328	278,034	85,831	1,279,193
Noncurrent Liabilities:				
Compensated absences	9,452	5,222	-	14,674
Certificates of participation	-	3,765,000	-	3,765,000
Loans payable	405,958	773,378	-	1,179,336
Total Noncurrent Liabilities	415,410	4,543,600	-	4,959,010
Total Liabilities	1,330,738	4,821,634	85,831	6,238,203
NET ASSETS				
Invested in capital assets, net of related debt	1,650,977	5,920,032	-	7,571,009
Restricted for debt service	50,000	180,242	-	230,242
Unrestricted	(765,861)	1,628,412	(84,244)	778,307
Total Net Assets	\$ 935,116	\$ 7,728,686	\$ (84,244)	\$ 8,579,558

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
OPERATING REVENUES				
Charges for services	\$ 582,925	\$ 1,578,213	\$ 18,149	\$ 2,179,287
Other revenues	28,413	(52)	-	28,361
Total Operating Revenues	<u>611,338</u>	<u>1,578,161</u>	<u>18,149</u>	<u>2,207,648</u>
OPERATING EXPENSES				
Salaries and benefits	225,703	332,632	21,695	580,030
Supplies	23,091	13,546	266	36,903
Power	117,580	63,021	5,472	186,073
Repairs and maintenance	3,715	35,997	1,562	41,274
Professional services	29,071	110,471	-	139,542
Insurance	17,696	21,495	950	40,141
Depreciation	129,173	392,822	-	521,995
Amortization	-	1,059	-	1,059
Other expenses	44,045	141,068	8,758	193,871
Total Operating Expenses	<u>590,074</u>	<u>1,112,111</u>	<u>38,703</u>	<u>1,740,888</u>
Operating Income (Loss)	<u>21,264</u>	<u>466,050</u>	<u>(20,554)</u>	<u>466,760</u>
NON-OPERATING REVENUES (EXPENSES)				
Mitigation fees	-	717	-	717
Interest income	(2,104)	4,152	-	2,048
Interest expense	(21,439)	(187,602)	(80)	(209,121)
Total Non-Operating Revenues (Expenses)	<u>(23,543)</u>	<u>(182,733)</u>	<u>(80)</u>	<u>(206,356)</u>
Income (loss) Before Transfers	<u>(2,279)</u>	<u>283,317</u>	<u>(20,634)</u>	<u>260,404</u>
Transfers out	(49,286)	(67,355)	-	(116,641)
Change in Net Assets	<u>(51,565)</u>	<u>215,962</u>	<u>(20,634)</u>	<u>143,763</u>
Total Net Assets - Beginning	<u>986,681</u>	<u>7,512,724</u>	<u>(63,610)</u>	<u>8,435,795</u>
Total Net Assets - Ending	<u>\$ 935,116</u>	<u>\$ 7,728,686</u>	<u>\$ (84,244)</u>	<u>\$ 8,579,558</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 586,287	\$ 1,592,454	\$ 17,688	\$ 2,196,429
Payments to suppliers	(203,161)	(373,368)	(18,086)	(594,615)
Payments to employees	(256,603)	(339,925)	(21,449)	(617,977)
Net Cash Provided (Used) by Operating Activities	<u>126,523</u>	<u>879,161</u>	<u>(21,847)</u>	<u>983,837</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Mitigation fee revenue	-	717	-	717
Transfers to other funds	(49,286)	(67,355)	-	(116,641)
Interfund loans received	772,729	(1,106,466)	82,440	(251,297)
Interfund loans repaid	(695,707)	1,029,580	(60,506)	273,367
Net Cash Provided (Used) by Noncapital Financing Activities	<u>27,736</u>	<u>(143,524)</u>	<u>21,934</u>	<u>(93,854)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(51,387)	(5,527)	-	(56,914)
Principal paid on debt	(77,403)	(99,980)	-	(177,383)
Interest paid on debt	(21,665)	(191,741)	(87)	(213,493)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(150,455)</u>	<u>(297,248)</u>	<u>(87)</u>	<u>(447,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	(2,775)	4,177	-	1,402
Net Cash Provided (Used) by Investing Activities	<u>(2,775)</u>	<u>4,177</u>	<u>-</u>	<u>1,402</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,029	442,566	-	443,595
Balances - Beginning of the Year	-	215,599	-	215,599
Balances - End of the Year	<u>\$ 1,029</u>	<u>\$ 658,165</u>	<u>\$ -</u>	<u>\$ 659,194</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 21,264	\$ 466,050	\$ (20,554)	\$ 466,760
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	129,173	392,822	-	521,995
Amortization	-	1,059	-	1,059
Decrease (increase) in:				
Accounts receivable	(25,044)	14,293	(561)	(11,312)
Prepaid costs	(5)	(290)	(19)	(314)
Increase (decrease) in:				
Accounts payable	9,988	12,520	(1,059)	21,449
Salaries and benefits payable	(2,207)	(367)	246	(2,328)
Deposits payable	(7)	(6,926)	100	(6,833)
Compensated absences	(6,639)	-	-	(6,639)
Net Cash Provided (Used) by Operating Activities	<u>\$ 126,523</u>	<u>\$ 879,161</u>	<u>\$ (21,847)</u>	<u>\$ 983,837</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEVADA CITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ -</u>
Total Assets	<u><u>\$ -</u></u>
LIABILITIES	
Agency obligations	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of City of Nevada City (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 April 19, 1856 under the provisions of the statutes of the State of California. The City operates under a Council form of government and provides the following services: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, general administrative services, and water and sewer.

As required by GAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the City's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Based on the application of the criteria set forth by the Governmental Standards Board, management has determined that there are no component units of the City.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all of the nonfiduciary activities of the City, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down are included in the program expense reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public protection, public ways and facilities, community development, and recreation and culture services.
- The Measure “S” fund is a special revenue fund used to account for revenue and expenditures related to Measure “S”.

The City reports the following major proprietary funds:

- The Water fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the City.
- The Sewer fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the City.

The City reports the following additional fund types:

- Agency funds account for assets held by the City as an agent for various local governments and for individuals.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, interest, certain state and federal grants and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds include trust funds and agency funds. All trust funds are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net assets.

E. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

F. Investments

The City pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. treasury, agencies and instrumentalities, corporate bonds, medium term notes, banker's acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

G. Receivables

Accounts Receivable

Accounts receivable consist mostly of amounts due from other agencies. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

H. Other Assets

Inventory

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Prepaid Items

Payments made for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items. Prepaids in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, including public domain (infrastructure such as roads and bridges) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value at the date of donation. The City defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-30 years
Structures and improvements	30-50 years
Infrastructure	5-99 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

J. Property Tax

Nevada County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

K. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions (Continued)

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Unearned Revenue/Deferred Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

M. Compensated Absences and Postemployment Benefits

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which is paid at the date of termination from City employment. On January 1, 1994, an amendment to the policy regarding sick pay was passed which provides that employees meeting certain criteria would be paid a bonus based on their year end unused sick leave balance. All compensated pay is accrued when incurred in the government-wide and proprietary fund financial statements. For all governmental funds, termination pay-outs expected to be paid out of current financial resources are recorded as fund liabilities. Compensated absences liability is typically liquidated by the General fund for all non proprietary fund compensated absences.

The City does not currently provide any postemployment healthcare or other nonpension benefits.

N. Estimates

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

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Restatement of Fund Balances/Net Assets

Adjustments resulting from errors or a change to comply with the provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net assets.

During the current year adjustments to net assets were required to correct prior year misstatement of prepaid insurance.

The impact of the restatements on the net assets on the government-wide financial statements as previously reported is presented below:

	Governmental Activities
Net Assets, June 30, 2010, as previously reported	\$ 10,740,637
Adjustments associated with:	
Correction of prepaid insurance	95,547
Total Adjustments	95,547
Net Assets, July 1, 2010, as restated	\$ 10,836,184

The impact of the restatements on the fund balance on the governmental funds financial statements as previously reported is presented below:

	General Fund
Net Assets, June 30, 2010, as previously reported	(\$ 89,460)
Adjustments associated with:	
Correction of prepaid insurance	95,547
Total Adjustments	95,547
Net Assets, July 1, 2010, as restated	\$ 6,087

B. Deficit Fund Balance/Net Assets

The following major governmental fund had a deficit fund balance at June 30, 2011:

The Measure “S” fund had a fund balance deficit of \$62,499, which is expected to be eliminated in the future through subsequent revenues.

The following non-major governmental funds had deficit fund balances at June 30, 2011:

The Nevada Main Project special revenue fund had a fund balance deficit of \$18,045, which is expected to be eliminated in the future through increased revenues.

The STIP special revenue fund had a fund balance deficit of \$48,134, which is expected to be eliminated in the future through increased revenues.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Balance/Net Assets (Continued)

The UST Project special revenue fund had a fund balance deficit of \$13,286, which is expected to be eliminated in the future through increased revenues.

The Brownsfield 10 special revenue fund had a fund balance deficit of \$23, which is expected to be eliminated in the future through increased revenues.

The CDBG Water special revenue fund had a fund balance deficit of \$1,984, which is expected to be eliminated in the future through increased revenues.

The Safe Routes to School special revenue fund had a fund deficit balance of \$34,539, which is expected to be eliminated in the future through increased revenues.

The CDBG Enterprise special revenue fund had a fund deficit balance of \$3,095, which is expected to be eliminated in the future through increased revenues.

The Solar Farm special revenue fund had a fund deficit balance of \$4,395, which is expected to be eliminated in the future through increased revenues.

The Stimulus Broad special revenue fund had a fund deficit balance of \$1,012, which is expected to be eliminated in the future through increased revenues.

The Recovery Act 09 special revenue fund had a fund deficit balance of \$15,889, which is expected to be eliminated in the future through increased revenues.

The following non-major enterprise funds had deficit net assets at June 30, 2011:

The Veterans Building fund had deficit net assets of \$84,244, which is expected to be eliminated in the future through increased revenues.

C. Gann Spending Limitation

Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 3: CASH AND INVESTMENTS

Financial Statement Presentation

As of June 30, 2011, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 315
Deposits (less outstanding checks)	<u>764,200</u>
Total Cash	<u>764,515</u>
Investments:	
Local Agency Investment Fund	<u>1,210,387</u>
Total Investments	<u>1,210,387</u>
Total Cash and Investments	<u>\$ 1,974,902</u>

Cash

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$764,200 and the bank balance was \$783,546. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the City had cash on hand of \$315.

Custodial Credit Risk for Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized. The City does not have a formal investment policy that further limits its deposits.

Investments

As of June 30, 2011, the City had the following investments:

	Interest Rates	Maturities			Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years	Over 5 years		
Pooled Investments						
Local Agency Investment Fund (LAIF)	Variable	<u>\$ 1,210,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,387</u>	<u>\$ -</u>
Total Pooled Investments		<u>\$ 1,210,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,387</u>	<u>\$ -</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the City are pooled with the State of California Local Agency Investment Fund. The City does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limit investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government securities or U.S. government agency securities. The City does not have a formal investment policy that further limits its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the City requires that all of its managed investments be held in the name of the City. The City does not have a formal investment policy that further limits the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The City has invested all cash, other than deposits and imprest cash in the California Local Agency Investment Fund (LAIF).

Investment in Local Agency Investment Fund - The City of Nevada City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2011, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$1,210,387, which approximates fair value and is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$66,489,270,508. Of that amount, 94.99% is invested in non-derivative financial products and 5.01% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

Governmental Activities

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2011</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 1,178,782	\$ 450,000	\$ -	\$ 1,550	\$ 1,630,332
Construction in progress	<u>426,314</u>	<u>185,378</u>	(<u>450</u>)	(<u>151,553</u>)	<u>459,689</u>
Total Capital Assets, Not Being Depreciated	<u>1,605,096</u>	<u>635,378</u>	(<u>450</u>)	(<u>150,003</u>)	<u>2,090,021</u>
Capital Assets, Being Depreciated:					
Land improvements/infrastructure	6,880,804	808,809	-	25,003	7,714,616
Building and improvements	4,328,779	-	-	-	4,328,779
Equipment	895,423	5,000	(82,366)	-	818,057
Software	42,041	-	-	-	42,041
Vehicles	<u>713,091</u>	<u>376,787</u>	-	<u>125,000</u>	<u>1,214,878</u>
Total Capital Assets, Being Depreciated	<u>12,860,138</u>	<u>1,190,596</u>	(<u>82,366</u>)	<u>150,003</u>	<u>14,118,371</u>
Less Accumulated Depreciation for:					
Land improvements	(1,876,793)	(231,081)	-	-	(2,107,874)
Buildings and improvements	(1,033,851)	(114,657)	-	-	(1,148,508)
Equipment	(644,497)	(72,572)	82,366	-	(634,703)
Software	(38,678)	(1,682)	-	-	(40,360)
Vehicles	<u>(388,106)</u>	<u>(98,891)</u>	-	-	<u>(486,997)</u>
Total Accumulated Depreciation	<u>(3,981,925)</u>	<u>(518,883)</u>	<u>82,366</u>	<u>-</u>	<u>(4,418,442)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,878,213</u>	<u>671,713</u>	<u>-</u>	<u>150,003</u>	<u>9,699,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,483,309</u>	<u>\$ 1,307,091</u>	(<u>\$ 450</u>)	<u>\$ -</u>	<u>\$ 11,789,950</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2011</u>
Capital Assets, Not Being Depreciated:					
Construction in progress	\$ 11,599	\$ 5,527	\$ -	\$ -	\$ 17,126
Total Capital Assets, Not Being Depreciated	<u>11,599</u>	<u>5,527</u>	<u>-</u>	<u>-</u>	<u>17,126</u>
Capital Assets, Being Depreciated:					
Structures and improvements	17,836,337	51,387	-	-	17,887,724
Equipment	2,529,084	-	-	-	2,529,084
Vehicles	<u>82,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,420</u>
Total Capital Assets, Being Depreciated	<u>20,447,841</u>	<u>51,387</u>	<u>-</u>	<u>-</u>	<u>20,499,228</u>
Less Accumulated Depreciation for:					
Structures and improvements	(6,120,465)	(444,955)	-	-	(6,565,420)
Equipment	(1,149,223)	(62,484)	-	-	(1,211,707)
Vehicles	<u>(26,654)</u>	<u>(14,556)</u>	<u>-</u>	<u>-</u>	<u>(41,210)</u>
Total Accumulated Depreciation	<u>(7,296,342)</u>	<u>(521,995)</u>	<u>-</u>	<u>-</u>	<u>(7,818,337)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,151,499</u>	<u>(470,608)</u>	<u>-</u>	<u>-</u>	<u>12,680,891</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,163,098</u>	<u>(\$ 465,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,698,017</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 71,252
Public safety	115,366
Public ways and facilities	290,361
Recreation and culture	<u>41,904</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 518,883</u>

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 129,173
Sewer	<u>392,822</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 521,995</u>

Construction in Progress

Construction in progress for governmental activities relates primarily to work performed on street and sidewalk reconstruction.

Construction in progress for business-type activities relates primarily to water and sewer plant upgrades.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due to and due from balances as of June 30, 2011:

	Due From Other Funds	Due To Other Funds
Nonmajor Governmental Funds	\$ 69,425	\$ 320,722
Water	-	772,729
Sewer	1,106,466	-
Nonmajor Enterprise Fund	-	82,440
Total	<u>\$ 1,175,891</u>	<u>\$ 1,175,891</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2011:

	Transfer In	Transfer Out
General Fund	\$ 454,337	\$ 2,244
Measure "S"	59,037	13,025
Nonmajor Governmental Funds	102,383	483,847
Water	-	49,286
Sewer	-	67,355
Total	<u>\$ 615,757</u>	<u>\$ 615,757</u>

NOTE 6: UNEARNED REVENUE

At June 30, 2011, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
July 2011 Science Camp Revenues	\$ 11,220
2011-2012 Business License Revenue	38,157
Other Miscellaneous 2011-2012 Revenue	<u>1,942</u>
Total Unearned Revenue	<u>\$ 51,319</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2010</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Loans	\$ 8,894	\$ 73,300	\$ 8,894	\$ 73,300	\$ 73,300
Capital Leases	455,415	-	142,564	312,851	149,073
Compensated Absences	<u>169,367</u>	<u>115,130</u>	<u>106,176</u>	<u>178,321</u>	<u>127,228</u>
Total Governmental Activities	<u>\$ 633,676</u>	<u>\$ 188,430</u>	<u>\$ 257,634</u>	<u>\$ 564,472</u>	<u>\$ 349,601</u>
Business-Type Activities					
Loans	\$ 1,458,744	\$ -	\$ 130,383	\$ 1,328,361	\$ 134,731
Less: Issue Costs	(<u>16,412</u>)	-	(<u>1,059</u>)	(<u>15,353</u>)	(<u>1,059</u>)
Loans (Net)	1,442,332	-	129,324	1,313,008	133,672
Certificates of Participation	3,861,000	-	47,000	3,814,000	49,000
Compensated Absences	<u>62,481</u>	<u>19,350</u>	<u>32,915</u>	<u>48,916</u>	<u>34,242</u>
Total Business-Type Activities	<u>\$ 5,365,813</u>	<u>\$ 19,350</u>	<u>\$ 209,239</u>	<u>\$ 5,175,924</u>	<u>\$ 216,914</u>

Individual issues of debt payable outstanding at June 30, 2011, are as follows:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding At June 30, 2011</u>
Governmental Activities					
Nevada County Land Trust Loan To finance the purchase of property known as Sugar Loaf Mountain	2011	5.00%	\$ 73,300	\$ 73,300	<u>\$ 73,300</u>
Total Loans					<u>73,300</u>
Total Governmental Activities					<u>\$ 73,300</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2011, are as follows: (Continued)

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding At June 30, 2011</u>
Business-Type Activities					
All Points Capital Bond Refinance Loan To refinance prior loans used to finance the City's water system	2016	5.00%	\$ 49,843-67,877	\$ 894,060	\$ 486,560
Citizens Bank USDA Refunding Loan To refund prior loans used to finance the City's wastewater treatment and disposal system	2025	4.10%	2,369-77,556	998,012	<u>841,801</u>
Total Loans					<u>1,328,361</u>
2005 Certificates of Participation To finance improvements to the City's wastewater collection, treatment and disposal system	2005	4.25%	\$ 16,000-48,000	\$ 2,188,000	2,074,000
2007 Certificates of Participation To finance improvements to the City's wastewater collection, treatment and disposal facilities	2046	4.13%	19,000-99,000	1,800,000	<u>1,740,000</u>
Total Certificates of Participation					<u>3,814,000</u>
Total Business-Type Activities					<u>\$ 5,142,361</u>

Following is a schedule of debt payment requirements of governmental and business-type activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities and capital leases which are reported in Note 9.

Governmental Activities

<u>Year Ended June 30</u>	<u>Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 73,300	\$ -	\$ 73,300
Total	<u>\$ 73,300</u>	<u>\$ -</u>	<u>\$ 73,300</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities

Year Ended June 30	Loans Payable		
	Principal	Interest	Total
2012	\$ 134,731	\$ 52,562	\$ 187,293
2013	138,928	46,993	185,921
2014	143,248	41,251	184,499
2015	148,689	35,311	184,000
2016	158,227	29,065	187,292
2017-2021	383,719	80,863	464,582
2022-2026	220,819	19,784	240,603
Total	<u>\$ 1,328,361</u>	<u>\$ 305,829</u>	<u>\$ 1,634,190</u>

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2012	\$ 49,000	\$ 158,893	\$ 207,893
2013	51,000	156,795	207,795
2014	53,000	154,614	207,614
2015	55,000	152,351	207,351
2016	58,000	149,982	207,982
2017-2021	324,000	715,404	1,039,404
2022-2026	399,000	635,427	1,034,427
2027-2031	489,000	542,608	1,031,608
2032-2036	602,000	428,616	1,030,616
2037-2041	739,000	288,530	1,027,530
2042-2046	905,000	116,663	1,021,663
2047-2051	90,000	1,856	91,856
Total	<u>\$ 3,814,000</u>	<u>\$ 3,501,739</u>	<u>\$ 7,315,739</u>

NOTE 8: SHORT-TERM DEBT

The City received a short-term loan from the County of Nevada to fund current expenditure requirements. Short-term debt activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Nevada County Loan	<u>\$ -</u>	<u>\$ 905,000</u>	<u>\$ 905,000</u>	<u>\$ -</u>

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 9: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

Capital Leases

The City has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the City when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2011</u>
Governmental fund activities	4.39-4.55%	\$ 312,851
Total Capital Lease Obligations		<u>\$ 312,851</u>

Buildings and equipment and related accumulated depreciation under capital lease are as follows:

	<u>Governmental Activities</u>
Buildings	\$ 1,919,764
Equipment	296,428
Less: accumulated depreciation	(608,394)
Net Value	<u>\$ 1,607,798</u>

As of June 30, 2011, capital lease annual amortization was as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2012	\$ 161,758
2013	99,581
2014	37,260
2015	<u>37,260</u>
Total Requirements	335,859
Less Interest	(23,008)
Present Value of Remaining Payments	<u>\$ 312,851</u>

NOTE 10: NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 10: NET ASSETS (CONTINUED)

- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 11: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City’s Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned fund balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City’s Council or (b) a body (for example: a budget or finance committee) or official to which the City’s Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 11: FUND BALANCES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is considered that restricted resources are used first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

The fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

	General Fund	Measure "S"	Nonmajor Funds	Total
Nonspendable:				
Prepaid	\$ 140,255	\$ -	\$ -	\$ 140,100
Restricted for:				
General government	-	-	189,410	189,410
Public protection	123,828	-	101,560	225,388
Public ways and facilities	-	-	333,914	333,914
Recreation and culture	-	-	28,707	28,707
Subtotal	<u>123,828</u>	<u>-</u>	<u>653,591</u>	<u>777,419</u>
Committed to:				
General government	51,473	-	8,481	59,954
Public protection	95,733	-	-	95,733
Public ways and facilities	12,555	-	112,006	124,561
Recreation and culture	12,555	-	50	12,605
Subtotal	<u>172,316</u>	<u>-</u>	<u>120,537</u>	<u>292,853</u>
Assigned to:				
General government	315	-	20,880	21,195
Public ways and facilities	-	-	53,047	53,047
Subtotal	<u>315</u>	<u>-</u>	<u>73,927</u>	<u>74,242</u>
Unassigned	(241,612)	(62,499)	(140,402)	(444,513)
Total	<u>\$ 194,947</u>	<u>(\$ 62,499)</u>	<u>\$ 707,653</u>	<u>\$ 840,101</u>

The City Council adopted the City of Nevada City Fund Balance Policy in 2011. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for a measure of financial protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54.

NOTE 12: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit 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 statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 12: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

B. Funding Policy

Active plan members in PERS have their 7 percent (9 percent for safety employees) of their annual covered salary paid by the City. The City also contributes the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2010/2011 was 10.263 percent for miscellaneous employees, 19.094 percent for safety employees and 7.209 for the miscellaneous tier plan. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

C. Annual Pension Cost

For fiscal year 2010/2011, the City's annual pension cost of \$82,956 for the first tier miscellaneous plan, \$155,970 for the safety plan, and \$2,307 for the second tier miscellaneous plan was equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent depending on age, service, and type of employment, and 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value).

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The table below presents three year trend information.

Miscellaneous First Tier

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 85,368	100%	\$ -
June 30, 2010	80,028	100%	-
June 30, 2011	82,596	100%	-

Safety

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 139,092	100%	\$ -
June 30, 2010	140,702	100%	-
June 30, 2011	155,970	100%	-

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 12: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

C. Annual Pension Cost (Continued)

Miscellaneous Second Tier

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 2,307	100%	\$ -

D. Funded Status and Funding Progress

Since the City has less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, vehicle liability, and errors and omissions purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program for 37 member cities. The City pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

The City is a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self-insured \$100,000 retention for workers compensation. The NCCSIF is composed of 21 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing.

NCCSIF is a joint powers agency organized in accordance with Article 1, Chapter 5, Division 7, Title 1 of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The Authority provides claims processing administrative services, risk management services, and actuarial studies. It is governed by a member from each city. The City of Nevada City council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The Authority is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 13: RISK MANAGEMENT (CONTINUED)

Upon termination of the JPA agreement, all property of the Authority will vest in the respective parties which theretofore transferred, conveyed or leased said property to the Authority. Any surplus of funds will be returned to the parties in proportion to actual balances of each equity.

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The participants as of June 30, 2011 were as follows:

- Anderson
- Auburn
- Colusa
- Corning
- Dixon
- Folsom
- Galt
- Gridley
- Ione
- Jackson
- Lincoln
- Marysville
- Nevada City
- Oroville
- Paradise
- Placerville
- Red Bluff
- Rio Vista
- Rocklin
- Willows
- Yuba City

The City's equity investment in the NCCSIF of \$138,845 is recorded in the General fund as prepaid insurance. The net change in equity is shown as an income or expenditure item in the General fund.

NOTE 14: OTHER INFORMATION

A. Construction Commitments

The City has signed agreements to construct various capital improvements subsequent to June 30, 2011. The balance owed on the commitments at June 30, 2011 was approximately \$211,691.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

C. Subsequent Event

On July 19, 2011, the City received a transfer of funds from the County of Nevada of \$791,000 to meet the obligations incurred for operation and maintenance. The interest rate on the short-term borrowing is the Nevada County Treasurer's pooled interest rate plus .005% for an administrative charge and is to be repaid by April 23, 2012.

On July 1, 2011, the City entered into a payment agreement regarding payments of transient occupancy tax in arrears due to the City in the amount of \$124,314.50. The interest rate on the loan receivable is 6 percent and is to be repaid to the City by August 7, 2012.

CITY OF NEVADA CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 14: OTHER INFORMATION (CONTINUED)

C. Subsequent Event (Continued)

Management has evaluated events subsequent to June 30, 2010 through November 29, 2011, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

D. Joint Agencies

Public Agency Risk Sharing Authority of California (PARSAC) is a joint powers agent organized for the purpose of pooled joint-protection coverage to member entities. PARSAC operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. PARSAC is under the control and direction of a 9 member executive committee consisting of representatives of the 37 member cities. Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805.

Nevada County Service Authority of the Abatement of Abandoned Vehicle was created pursuant to California Vehicle Code Section 22710 in order for the County of Nevada and City of Grass Valley to join together and establish a service authority for the abatement of abandoned vehicles. The County or City abatement ordinances that are realized by the County or City less the respective administrative costs are deposited in the Authority trust account. Complete financial activity of this trust account can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617.

The City is a participant in Western Nevada Public Transportation Authority, the purpose of which is to provide transportation services to the citizens of Nevada County including Grass Valley. Complete financial activity can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617.

The City is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services. The City participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945.

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**Required Supplementary Information
(Unaudited)**

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CITY OF NEVADA CITY
Required Supplementary Information
For the Year Ended June 30, 2011

1. BUDGETARY BASIS OF ACCOUNTING

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

- (1) The City Administrator submits to the City Council a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The City Council reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as recommended expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Administrator may authorize transfers from one object or purpose to another within the same department.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for the General fund and major special revenue funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) with the exception of short-term debt proceeds which were budgeted as other financing sources. Principal repayment of short-term debt were not budgeted.

The City does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2011, the City incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
General fund	\$ 4,008,405	\$ 4,281,047	\$ 272,642
Measure "S"	161,870	708,707	546,837

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Budgetary Basis
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 2,302,023	\$ 2,302,023	\$ 2,232,336	\$ (69,687)
Licenses and permits	153,400	153,400	155,242	1,842
Fines and forfeitures	50,000	50,000	124,073	74,073
Intergovernmental revenues	101,120	101,120	294,218	193,098
Use of money and property	60,500	60,500	77,494	16,994
Charges for services	225,400	225,400	148,001	(77,399)
Other revenues	6,500	6,500	81,450	74,950
Total Revenues	<u>2,898,943</u>	<u>2,898,943</u>	<u>3,112,814</u>	<u>213,871</u>
EXPENDITURES				
Current:				
General government	780,682	780,682	857,644	(76,962)
Public protection	1,644,646	1,644,646	1,645,605	(959)
Public ways and facilities	243,694	243,694	270,450	(26,756)
Recreation and culture	256,798	256,798	243,726	13,072
Debt service:				
Principal	1,063,646	1,063,646	1,056,458	7,188
Interest and other charges	18,939	18,939	21,396	(2,457)
Capital outlay	-	-	185,768	(185,768)
Total Expenditures	<u>4,008,405</u>	<u>4,008,405</u>	<u>4,281,047</u>	<u>(272,642)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,109,462)</u>	<u>(1,109,462)</u>	<u>(1,168,233)</u>	<u>(58,771)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	211,310	211,310	454,337	243,027
Transfers out	-	-	(2,244)	(2,244)
Debt proceeds	905,000	905,000	905,000	-
Total Other Financing Sources (Uses)	<u>1,116,310</u>	<u>1,116,310</u>	<u>1,357,093</u>	<u>240,783</u>
Net Change in Fund Balance	<u>6,848</u>	<u>6,848</u>	<u>188,860</u>	<u>182,012</u>
Fund Balance - Beginning	(89,460)	(89,460)	(89,460)	-
Prior Period Adjustment	-	-	95,547	95,547
Fund Balance - Beginning, Restated	<u>(89,460)</u>	<u>(89,460)</u>	<u>6,087</u>	<u>95,547</u>
Fund Balance - Ending	<u>\$ (82,612)</u>	<u>\$ (82,612)</u>	<u>\$ 194,947</u>	<u>\$ 277,559</u>

The City budgets for short term debt proceeds and payments as other financing sources and debt service expenditures. For purposes of the budgetary comparison schedule, the short term debt proceeds and payments were included in other financing sources and debt service expenditures.

CITY OF NEVADA CITY
Required Supplementary Information
Budgetary Comparison Schedule
Measure "S" - Major Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 508,000	\$ 508,000	\$ 529,534	\$ 21,534
Use of money and property	-	-	482	482
Total Revenues	<u>508,000</u>	<u>508,000</u>	<u>530,016</u>	<u>22,016</u>
EXPENDITURES				
Current:				
Public ways and facilities	-	-	36,204	(36,204)
Capital outlay	161,870	161,870	672,503	(510,633)
Total Expenditures	<u>161,870</u>	<u>161,870</u>	<u>708,707</u>	<u>(546,837)</u>
Net Change in Fund Balance	346,130	346,130	(178,691)	(524,821)
Fund Balance - Beginning	<u>70,180</u>	<u>70,180</u>	<u>70,180</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 416,310</u>	<u>\$ 416,310</u>	<u>\$ (108,511)</u>	<u>\$ (524,821)</u>

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Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

- **Special Revenue Funds**

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CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Nevada Main Project</u>	<u>Gas Tax Streets</u>	<u>TDA Funds</u>
ASSETS					
Cash and investments	\$ 259,686	\$ 28,683	\$ -	\$ 83,717	\$ -
Accounts receivable	-	-	-	-	-
Interest receivable	217	24	-	88	-
Taxes receivable	-	-	-	2,302	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	<u>\$ 259,903</u>	<u>\$ 28,707</u>	<u>\$ -</u>	<u>\$ 86,107</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 36,804	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	177	-	-
Interest payable	-	-	14	-	-
Due to other funds	-	-	17,854	-	-
Total Liabilities	<u>36,804</u>	<u>-</u>	<u>18,045</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	223,099	28,707	-	86,107	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(18,045)	-	-
Total Fund Balances	<u>223,099</u>	<u>28,707</u>	<u>(18,045)</u>	<u>86,107</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 259,903</u>	<u>\$ 28,707</u>	<u>\$ -</u>	<u>\$ 86,107</u>	<u>\$ -</u>

<u>TDA Sidewalks</u>	<u>STIP</u>	<u>Traffic Relief</u>	<u>Reg. Traffic Mit</u>	<u>Indian Trails</u>	<u>UST Project</u>	<u>Sugarloaf P40</u>	<u>Brownsfield 10</u>
\$ -	\$ -	\$ 111,912	\$ -	\$ 53,003	\$ -	\$ -	\$ -
-	-	-	-	-	-	3,800	-
-	-	94	-	44	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,997
-	-	-	-	-	-	69,425	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,006</u>	<u>\$ -</u>	<u>\$ 53,047</u>	<u>\$ -</u>	<u>\$ 73,225</u>	<u>\$ 8,997</u>
\$ -	\$ 11,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,998
-	379	-	-	-	-	-	-
-	24	-	-	-	-	-	-
-	36,042	-	-	-	13,286	1,942	22
-	48,134	-	-	-	13,286	1,942	9,020
-	-	-	-	-	-	71,283	-
-	-	112,006	-	-	-	-	-
-	-	-	-	53,047	-	-	-
-	(48,134)	-	-	-	(13,286)	-	(23)
-	(48,134)	112,006	-	53,047	(13,286)	71,283	(23)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,006</u>	<u>\$ -</u>	<u>\$ 53,047</u>	<u>\$ -</u>	<u>\$ 73,225</u>	<u>\$ 8,997</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>	<u>CDBG Water</u>	<u>CMAC Grant</u>
ASSETS					
Cash and investments	\$ -	\$ -	\$ 38	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	12	-	-
Taxes receivable	-	3,227	-	-	-
Due from other governments	-	-	69,425	-	-
Due from other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 3,227</u>	<u>\$ 69,475</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-
Interest payable	-	-	-	2	-
Due to other funds	-	-	69,425	1,982	-
	<u>-</u>	<u>-</u>	<u>69,425</u>	<u>1,982</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>69,425</u>	<u>1,984</u>	<u>-</u>
Fund Balances:					
Restricted	-	3,227	-	-	-
Committed	-	-	50	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(1,984)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,984)</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>3,227</u>	<u>50</u>	<u>(1,984)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,227</u>	<u>\$ 69,475</u>	<u>\$ -</u>	<u>\$ -</u>

Safe Routes to School	CDBG Enterprise	Solar Farm	Stimulus Broad	RTP Grant	Prop 271	MATHIVET	SLESF
\$ -	\$ -	\$ -	\$ -	\$ 36,081	\$ -	\$ 98,251	\$ 105,948
-	-	-	-	-	-	-	-
-	-	-	-	-	-	82	154
-	-	-	-	-	5,497	-	-
-	20,338	-	-	-	2,984	-	12,025
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 20,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,081</u>	<u>\$ 8,481</u>	<u>\$ 98,333</u>	<u>\$ 118,127</u>
\$ 150	\$ 5,339	\$ -	\$ -	\$ 11,363	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
28	3	4	-	10	-	-	-
34,361	18,091	4,391	1,012	-	-	-	-
<u>34,539</u>	<u>23,433</u>	<u>4,395</u>	<u>1,012</u>	<u>11,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	24,708	-	98,333	118,127
-	-	-	-	-	8,481	-	-
-	-	-	-	-	-	-	-
(34,539)	(3,095)	(4,395)	(1,012)	-	-	-	-
<u>(34,539)</u>	<u>(3,095)</u>	<u>(4,395)</u>	<u>(1,012)</u>	<u>24,708</u>	<u>8,481</u>	<u>98,333</u>	<u>118,127</u>
<u>\$ -</u>	<u>\$ 20,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,081</u>	<u>\$ 8,481</u>	<u>\$ 98,333</u>	<u>\$ 118,127</u>

CITY OF NEVADA CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	<u>Recovery Act 09</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>USPEA Grant</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ -	\$ 2,997	\$ 17,868	\$ -	\$ 798,184
Accounts receivable	-	-	-	-	3,800
Interest receivable	-	-	15	-	730
Taxes receivable	-	-	-	-	11,026
Due from other governments	121,839	-	-	-	235,608
Due from other funds	-	-	-	-	69,425
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 121,839	\$ 2,997	\$ 17,883	\$ -	\$ 1,118,773
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 205	\$ -	\$ -	\$ -	\$ 74,548
Salaries and benefits payable	15,129	-	-	-	15,685
Interest payable	80	-	-	-	165
Due to other funds	122,314	-	-	-	320,722
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	137,728	-	-	-	411,120
Fund Balances:					
Restricted	-	-	-	-	653,591
Committed	-	-	-	-	120,537
Assigned	-	2,997	17,883	-	73,927
Unassigned	(15,889)	-	-	-	(140,402)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	(15,889)	2,997	17,883	-	707,653
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 121,839	\$ 2,997	\$ 17,883	\$ -	\$ 1,118,773

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures And
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	<u>AB 1600</u>	<u>P & R Quimby</u>	<u>Nevada Main Project</u>	<u>Gas Tax Streets</u>	<u>TDA Funds</u>
REVENUES					
Taxes and assessments	\$ 10,659	\$ -	\$ -	\$ 92,945	\$ -
Intergovernmental revenues	-	-	5,777	-	17,386
Use of money and property	737	83	(28)	283	15
Other revenues	-	-	-	-	-
Total Revenues	<u>11,396</u>	<u>83</u>	<u>5,749</u>	<u>93,228</u>	<u>17,401</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public protection	-	-	-	-	-
Public ways and facilities	17,791	-	-	13,674	-
Capital outlay	19,013	-	16,700	-	-
Total Expenditures	<u>36,804</u>	<u>-</u>	<u>16,700</u>	<u>13,674</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(25,408)</u>	<u>83</u>	<u>(10,951)</u>	<u>79,554</u>	<u>17,401</u>
OTHER FINANCING SOURCES (USES)					
Debt Proceeds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(66,208)	(24,142)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,208)</u>	<u>(24,142)</u>
Net Change in Fund Balances	<u>(25,408)</u>	<u>83</u>	<u>(10,951)</u>	<u>13,346</u>	<u>(6,741)</u>
Fund Balances - Beginning	<u>248,507</u>	<u>28,624</u>	<u>(7,094)</u>	<u>72,761</u>	<u>6,741</u>
Fund Balances - Ending	<u>\$ 223,099</u>	<u>\$ 28,707</u>	<u>\$ (18,045)</u>	<u>\$ 86,107</u>	<u>\$ -</u>

TDA Sidewalks	STIP	Traffic Relief	Reg. Traffic Mit	Indian Trails	UST Project	Sugarloaf P40	Brownsfield 10
\$ -	\$ -	\$ -	\$ 3,928	\$ -	\$ -	\$ -	\$ -
-	24,552	-	-	-	-	379,255	25,342
(4)	(75)	327	2	154	-	-	-
18,456	-	-	-	-	21,456	3,800	-
18,452	24,477	327	3,930	154	21,456	383,055	25,342
-	-	-	3,928	-	1,859	2,946	25,343
-	-	-	-	-	-	-	-
9,853	-	-	-	-	-	-	-
-	58,455	-	-	-	-	450,000	-
9,853	58,455	-	3,928	-	1,859	452,946	25,343
8,599	(33,978)	327	2	154	19,597	(69,891)	(1)
-	-	-	-	-	-	73,300	-
-	-	-	-	-	-	69,425	-
(8,616)	-	-	(602)	-	(23,258)	-	-
(8,616)	-	-	(602)	-	(23,258)	142,725	-
(17)	(33,978)	327	(600)	154	(3,661)	72,834	(1)
17	(14,156)	111,679	600	52,893	(9,625)	(1,551)	(22)
\$ -	\$ (48,134)	\$ 112,006	\$ -	\$ 53,047	\$ (13,286)	\$ 71,283	\$ (23)

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	<u>Tax - Fire Dept.</u>	<u>2003 Fire Tax</u>	<u>NC Recreation</u>	<u>CDBG Water</u>	<u>CMAC Grant</u>
REVENUES					
Taxes and assessments	\$ 43,851	\$ 38,723	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	178,000
Use of money and property	-	-	50	(7)	(1)
Other revenues	-	-	72,669	-	-
Total Revenues	<u>43,851</u>	<u>38,723</u>	<u>72,719</u>	<u>(7)</u>	<u>177,999</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	2,777
Public protection	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Capital outlay	-	-	-	-	178,592
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,369</u>
Excess of Revenues Over (Under) Expenditures	<u>43,851</u>	<u>38,723</u>	<u>72,719</u>	<u>(7)</u>	<u>(3,370)</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Transfers in	-	-	-	-	4,213
Transfers out	(47,072)	(37,131)	(91,055)	-	-
Total Other Financing Sources (Uses)	<u>(47,072)</u>	<u>(37,131)</u>	<u>(91,055)</u>	<u>-</u>	<u>4,213</u>
Net Change in Fund Balances	(3,221)	1,592	(18,336)	(7)	843
Fund Balances - Beginning	<u>3,221</u>	<u>1,635</u>	<u>18,386</u>	<u>(1,977)</u>	<u>(843)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 3,227</u>	<u>\$ 50</u>	<u>\$ (1,984)</u>	<u>\$ -</u>

<u>Safe Routes to School</u>	<u>CDBG Enterprise</u>	<u>Solar Farm</u>	<u>Stimulus Broad</u>	<u>RTP Grant</u>	<u>Prop 271</u>	<u>MATHIVET</u>	<u>SLESF</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,087	\$ -	\$ 121,216
-	20,338	-	120,438	156,288	-	-	-
(89)	(9)	(20)	(157)	(78)	24	286	498
50	-	-	-	-	-	-	-
(39)	20,329	(20)	120,281	156,210	29,111	286	121,714
-	5,339	-	-	-	-	-	-
-	-	-	-	-	-	-	344
-	-	-	-	-	-	-	-
10,137	-	-	117,294	100,085	-	-	-
10,137	5,339	-	117,294	100,085	-	-	344
(10,176)	14,990	(20)	2,987	56,125	29,111	286	121,370
-	-	-	-	-	-	-	-
-	-	-	4,871	21,630	-	-	2,244
-	(15,000)	-	-	-	(25,968)	-	(135,537)
-	(15,000)	-	4,871	21,630	(25,968)	-	(133,293)
(10,176)	(10)	(20)	7,858	77,755	3,143	286	(11,923)
(24,363)	(3,085)	(4,375)	(8,870)	(53,047)	5,338	98,047	130,050
<u>\$ (34,539)</u>	<u>\$ (3,095)</u>	<u>\$ (4,395)</u>	<u>\$ (1,012)</u>	<u>\$ 24,708</u>	<u>\$ 8,481</u>	<u>\$ 98,333</u>	<u>\$ 118,127</u>

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	<u>Recovery Act 09</u>	<u>Bicentennial</u>	<u>Becker</u>	<u>USPEA Grant</u>	<u>Total</u>
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 340,409
Intergovernmental revenues	324,795	-	-	368	1,252,539
Use of money and property	(277)	-	51	-	1,765
Other revenues	-	6,000	-	-	122,431
Total Revenues	<u>324,518</u>	<u>6,000</u>	<u>51</u>	<u>368</u>	<u>1,717,144</u>
EXPENDITURES					
Current:					
General government	279,818	6,219	-	-	328,229
Public protection	-	-	-	-	344
Public ways and facilities	-	-	-	-	41,318
Capital outlay	-	-	-	-	950,276
Total Expenditures	<u>279,818</u>	<u>6,219</u>	<u>-</u>	<u>-</u>	<u>1,320,167</u>
Excess of Revenues Over (Under) Expenditures	<u>44,700</u>	<u>(219)</u>	<u>51</u>	<u>368</u>	<u>396,977</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	73,300
Transfers in	-	-	-	-	102,383
Transfers out	(4,930)	-	-	(4,328)	(483,847)
Total Other Financing Sources (Uses)	<u>(4,930)</u>	<u>-</u>	<u>-</u>	<u>(4,328)</u>	<u>(308,164)</u>
Net Change in Fund Balances	39,770	(219)	51	(3,960)	88,813
Fund Balances - Beginning	<u>(55,659)</u>	<u>3,216</u>	<u>17,832</u>	<u>3,960</u>	<u>618,840</u>
Fund Balances - Ending	<u>\$ (15,889)</u>	<u>\$ 2,997</u>	<u>\$ 17,883</u>	<u>\$ -</u>	<u>\$ 707,653</u>

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Nonmajor Proprietary Funds

- **Enterprise Funds**

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CITY OF NEVADA CITY
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011

	Veteran's Building	Totals
ASSETS		
Current Assets:		
Accounts receivable (net of allowance)	\$ 1,430	\$ 1,430
Prepaid costs	157	157
Total Assets	1,587	1,587
LIABILITIES		
Current Liabilities:		
Accounts payable	2,329	2,329
Salaries and benefits payable	895	895
Deposits payable	100	100
Interest payable	67	67
Due to other funds	82,440	82,440
Total Liabilities	85,831	85,831
NET ASSETS		
Unrestricted	(84,244)	(84,244)
Total Net Assets	\$ (84,244)	\$ (84,244)

CITY OF NEVADA CITY
Combining Statement of Revenues, Expenses and
Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	Veteran's Building	Totals
OPERATING REVENUES		
Charges for services	\$ 18,149	\$ 18,149
Total Operating Revenues	18,149	18,149
OPERATING EXPENSES		
Salaries and benefits	21,695	21,695
Supplies	266	266
Power	5,472	5,472
Repairs and maintenance	1,562	1,562
Insurance	950	950
Other expenses	8,758	8,758
Total Operating Expenses	38,703	38,703
Operating Income (Loss)	(20,554)	(20,554)
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(80)	(80)
Total Non-Operating Revenues (Expenses)	(80)	(80)
Change in Net Assets	(20,634)	(20,634)
Total Net Assets - Beginning	(63,610)	(63,610)
Total Net Assets - Ending	\$ (84,244)	\$ (84,244)

CITY OF NEVADA CITY
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	Veteran's Building	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 17,688	\$ 17,688
Payments to suppliers	(18,086)	(18,086)
Payments to employees	(21,449)	(21,449)
	(21,847)	(21,847)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loans received	82,440	82,440
Interfund loans repaid	(60,506)	(60,506)
	21,934	21,934
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	(87)	(87)
	(87)	(87)
Net Increase (Decrease) in Cash and Cash Equivalents		
	-	-
Balances - Beginning of the Year		
	-	-
Balances - End of the Year		
	\$ -	\$ -
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (20,554)	\$ (20,554)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(561)	(561)
Prepaid costs	(19)	(19)
Increase (decrease) in:		
Accounts payable	(1,059)	(1,059)
Salaries and benefits payable	246	246
Deposits payable	100	100
	(21,847)	(21,847)
Net Cash Provided (Used) by Operating Activities	\$ (21,847)	\$ (21,847)

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Fiduciary Funds

- **Agency Funds**

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CITY OF NEVADA CITY
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2011

	B.I.D	Total Agency Funds
ASSETS		
Cash and investments	\$ -	\$ -
Total Assets	\$ -	\$ -
LIABILITIES		
Agency obligations	\$ -	\$ -
Total Liabilities	\$ -	\$ -

CITY OF NEVADA CITY
Combining Statement of Changes
In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Contributions</u>	<u>Withdrawals</u>	<u>Balance</u> <u>June 30, 2011</u>
B.I.D				
ASSETS				
Cash and investments	\$ 16	\$ -	\$ 16	\$ -
Total Assets	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ -</u>
LIABILITIES				
Agency obligations	\$ 16	\$ -	\$ 16	\$ -
Total Liabilities	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ -</u>