

**CITY OF NEVADA CITY
CALIFORNIA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2020

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials	i
 FINANCIAL SECTION	
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis (Unaudited)	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of the Governmental Fund Balance Sheet to the Government- Wide Statement of Net Position - Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities.....	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Net Position.....	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	22
Statement of Changes in Fiduciary Net Position.....	23
Notes to Basic Financial Statements.....	24-47
Required Supplementary Information (Unaudited):	
Notes to Budgetary Comparison Schedules	48
Budgetary Comparison Schedule - General Fund	49
Budgetary Comparison Schedule - Measure “S”.....	50
Budgetary Comparison Schedule - Measure “C”	51
Budgetary Comparison Schedule - CMAQ.....	52
City Pension Plan - Schedule of Proportionate Share of the Net Pension Liability	53
City Pension Plan - Schedule of Contributions.....	54
Combining Nonmajor Fund Statements:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	55-56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57-58
 OTHER REPORT	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	59-60

INTRODUCTORY SECTION

List of Officials

City of Nevada City
LIST OF OFFICIALS
June 30, 2020

CITY COUNCIL

Reinette Senum, Mayor

Erin Minett, Vice Mayor

Valerie Moberg

David Parker

Duane Strawser

CITY STAFF

Catrina Olson, City Manager

Niel Locke, City Clerk

David McKay, City Treasurer

Crystal Hodgson, City Attorney

Sam Goodspeed, Division Fire Chief

Chad Ellis, Chief of Police

Bryan McAlister, City Engineer

William Highsmith, Superintendent of Public Works

Loree' McCay, Administrative Services Manager

Amy Wolfson, City Planner

Dawn Zydonis, Park & Recreation Supervisor

Michael Faudoa, Chief Plant Operator

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Nevada City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Nevada City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to 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 and, where applicable, cash flows of City of Nevada City, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada City's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of City of Nevada 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 effectiveness of the City of Nevada City's 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 25, 2021

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

**CITY OF NEVADA CITY, CALIFORNIA
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year 2019/2020**

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, 2020. 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 full array of services to all of the citizens. The voters approved Measure "L", a five year, three eighths cent general-purpose tax measure that concluded March 2018. This tax measure enabled the City to improve the health of the General fund by setting aside reserves and providing funding to "catch up" on deferred maintenance that the City experienced during the recession. At the November 2016 election, Measure "C", a three-eighths cent special safety tax without a sunset was passed. This Measure has enabled the City to continue to provide full Fire Department services and add Police personnel. At the June 2018 election, the Nevada City voters approved a cannabis business excise general-purpose tax, Measure "F". This measure will provide the funding for the City to support the new incoming cannabis industry. Measure "C" and "F" will continue to provide the ability for the City to continue consistent service levels and build General fund reserves. Most recently, in the November 2020 General Election, the voters approved Measure "M", a one half cent sales tax that will never sunset and will be effective January of 2022. This tax measure will replace Measure "S" that was due to sunset in 2023 with an added use of funds for Water and Sewer replacement of aged infrastructure.

FINANCIAL HIGHLIGHTS

The following are some financial highlights for fiscal year 2020:

Entity-wide:

- ❑ The City's assets at the end of the year increased to \$34,899,364 up \$1,445,055 from the previous fiscal year. Of this total, \$21,012,132 is Governmental assets up \$1,918,608 from the previous fiscal year, and \$13,887,232 is Business-type assets down \$473,553 from the previous fiscal year.
- ❑ The City's liabilities at the end of the year increased to \$11,420,936 up \$687,421 from the previous fiscal year. Of this total, \$6,723,713 is Governmental liabilities up \$734,466 from the previous fiscal year, and \$4,697,223 is Business-type liabilities down \$47,045 from the previous fiscal year.
- ❑ The net effect of the changes in assets and liabilities left the City's net position at \$24,457,904 up \$759,844 from the previous fiscal year. Of this total, \$15,238,265 is Governmental up \$1,278,243 from the previous fiscal year, and \$9,219,639 is Business-type down \$518,399 from the previous fiscal year.
- ❑ Governmental revenues include program revenues of \$2,414,743 and general revenues of 4,948,443 for total revenues of \$7,363,186. Governmental expenses were \$6,084,943.
- ❑ Business type revenues include program revenues of \$2,236,706 and general revenues of \$57,032 for total revenues of \$2,293,738. Business Type expenses were \$2,812,137

Fund level:

- ❑ Governmental Fund Balances at the end of the fiscal year were \$2,994,850, an increase of \$361,296 from the previous fiscal year.
- ❑ Governmental Fund revenues were \$7,363,186 in 2020 compared to \$6,892,360 in 2018, an increase of \$470,826.
- ❑ Governmental Fund expenditures were \$7,328,113 in 2020 compared to \$7,385,115 in 2019, a decrease of \$57,002 from the previous fiscal year.

General Fund:

- ❑ The General Fund revenues of \$5,062,248 represents an increase of \$335,535 from the previous fiscal year.
- ❑ General Fund expenditures of \$4,848,828 represents an increase of \$377,825 from the previous fiscal year.
- ❑ General Fund other financing sources for the fiscal year totaled \$214,814 a decrease of \$93,504 from the previous fiscal year.
- ❑ At the end of the fiscal year, the General Fund balance was \$2,464,402 representing an increase of \$428,234 from the previous fiscal year.

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 include all activities of the City of Nevada City using the integrated approach as prescribed by GASB Statement No. 34. These statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Financial Statements. The State of net position and the Statement of Activities provide information about the activities of the City as a whole and present a longer term view of the City's finances. Fund Financial Statements tells us how these services are financed in the short term as well as what remains for future spending. Fund Financial Statements also report the City's operations in more detail than the Government-Wide Financial Statements by providing information about the City's most significant funds. This report also contains required supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting method used by most private sector businesses. All of the current fiscal year's revenues and expenditures are taken into account regardless of when the cash is received.

The Statement of Net position presents information on all of the City's assets and liabilities with differences between the two reported as net position. Net position increases or decreases each year based on whether government-wide revenues exceeded the related expenditures (increase), or government-wide expenditures exceeded revenues (decrease). The change in net position 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 position. 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 (government 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 wastewater 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.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. The City also establishes other funds to control and manage money for particular purposes or to show that the City is meeting legal or contractual responsibilities for using certain taxes, grants and other money. All of the funds of the City can be classified 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 doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations explain the relationship between the fund statements and government-wide statements.

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 wastewater services provided by the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside 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 position and changes in the net position of the City as a whole. Tables 1 to 3 focus on the City's Governmental Statement of Net position and Statement of Activities and Tables 3 to 6 focus on the City's Business-Type Statement of Net position and Statement of Activities.

Governmental Activities:

**Table 1
Governmental Net position at June 30, 2020**

	<u>2020</u>	<u>2019</u>
Cash and investments	\$1,890,923	\$1,668,763
Other assets	2,101,465	1,874,764
Capital assets	17,019,744	15,549,997
Total Assets	21,012,132	19,093,524
Pension adjustments	1,249,312	1,110,910
Total Deferred Outflows of Resources	1,249,312	1,110,910
Current liabilities	997,537	909,973
Long term liabilities	5,726,176	5,079,274
Total Liabilities	6,723,713	5,989,247
Business loan payments		
Pension adjustments	299,466	255,165
Total Deferred Inflows of Resources	299,466	255,165
Net position:		
Invested in Capital assets, net of related debt	16,129,520	14,866,315
Restricted		
Reserved		
Unrestricted	(891,255)	(906,293)
Total Net position	\$15,238,265	\$13,960,022

The City's Governmental net position was \$15,238,265 as of June 30, 2020, an increase of \$1,278,243 from the prior fiscal year. This decrease is the change in net position shown in Table 1. The City's Governmental Net position as of June 30, 2020 was comprised of the net of the following:

- Cash of \$1,890,923, held in five Certificates of Deposit, State of California's Local Agency Investment Fund and the City's money market savings and general checking accounts.
- Receivables of \$2,266,146 comprised of accrued revenues, loans and amounts due from other funds.
- Prepaid costs of \$222,656.
- Capital assets net of depreciation charges of \$16,129,520; this includes all of the City's infrastructure as well as other capital assets used in government activities, see Note 4 for additional information on capital assets.
- Deferred outflows of resources for pension adjustments of \$1,249,312.
- Current liabilities including accounts payable, accrued expenses, employee leave time earned but not yet used and amounts due to other funds totaling \$997,537.
- Long term debt of \$5,726,176 of which \$5,393,563 matures in future years and \$332,613 is due within one year. The increase in long term debt of \$646,902 is primarily associated to the agreement to purchase of a replacement street sweeper, police Patrol vehicles and Department of Public Works . See note 6 for additional information on long-term liabilities.
- Deferred inflows of resources for pension adjustments and business loan payments was \$317,099.

Table 2
Changes in Governmental Net position June 30, 2020

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for service	\$946,555	\$1,142,411
Grants and contributions	1,468,188	881,751
General Revenues:		
Property taxes	1,679,647	1,619,910
Other taxes	3,127,437	2,891,706
Interest and Investment Earnings	100,510	98,170
Other general revenues	40,849	87,102
Total Revenues	7,363,186	6,721,050
Program expenses:		
General government	673,431	781,336
Public protection	2,102,367	3,325,607
Public ways and facilities	2,862,076	2,399,490
Recreation and culture	396,084	401,158
Interest on long-term debt	50,985	10,450
Total expenses	6,084,943	6,918,041
Net (Expense) Revenue	1,278,243	(196,991)
Prior Period Adjustment - Cumulative effect of change in accounting principal	0	0
Change in Net position	\$1,278,243	\$(196,991)

Overall total Governmental revenues increased 9.5% from the prior fiscal year attributed to higher grants and contributions, Property taxes and other taxes. Other taxes include sales and use tax, franchise tax and transient occupancy tax. Sales and use tax increased by 10.3% from the previous fiscal year. Included in this sales and use tax figures are Measure “S” collections of \$740,610, Measure “L” collections of \$2,225, Measure “C” of \$553,968 and sales tax of \$1,279,373. The combined franchise tax of \$160,993 and transient occupancy tax of \$390,267 remained flat as compared to the previous fiscal year collections. The 2019/2020 assessed property valuations increased 5.8% over the fiscal year 2018/2019 assessed valuations. The City’s interest earnings increased 1% related to higher average daily cash balances in the local agency investment fund and increased certificate of deposit portfolio.

Table 2 shows that 33% of the City’s Governmental revenues were derived from fees for City services and grants, this was a slight increase from the prior fiscal year. Charges for services decreased 20.7% or \$195,856 from the previous fiscal year. Grants and contributions increased 66.5% from the previous fiscal year and is associated to the timing of reimbursement of major grant related projects.

Total Governmental expenses decreased 13.7% from the previous fiscal year. The overall decrease in program expense of \$833,098 or 13.7% is the net result of a decrease in general government operational expenditures of 13.8%, a 36.8% decrease in public protection expenditures, a 19% increase in public ways and facilities operational expenditures and a 1.3% decrease in parks and culture operational expenditures as compared to the previous fiscal year. The large difference in Public Protection are due to the Capital Asset Transaction adjustment by the auditing firm. The adjusted decrease in expenses in public protection would be 15% year over year without this adjustment.

Business-Type Activities:

**Table 3
Business-Type Net Position at June 30, 2020**

	<u>2020</u>	<u>2019</u>
Cash and investments	\$1,660,685	\$2,286,598
Other assets	808,892	591,650
Capital assets	11,417,655	11,482,596
Total Assets	13,887,232	14,360,785
Pension adjustments	98,115	182,792
Total Deferred Outflows of Resources	98,115	182,792
Current liabilities	595,890	575,559
Long term liabilities	4,101,333	4,168,709
Total Liabilities	4,697,223	4,744,268
Pension adjustments	68,485	61,271
Total Deferred Inflows of Resources	68,485	61,271
Net Assets:		
Contributed Capital	7,831,052	7,767,631
Reserved	381,212	356,767
Unrestricted	1,007,375	1,613,640
Total Net position	\$9,219,639	\$9,738,038

The City's business-type enterprises consist of Water and Wastewater services. Total Net position decreased by \$518,399 resulting in 5.6% change to the previous fiscal year due to a combination of reduced revenues from rate payers, reduced income from leachate hauling and increased expenditures in capital outlay for compliance projects and chlorine and chemicals.

Table 4
Changes in Business-Type Net Position June 30, 2020

	2020	2019
Revenues:		
Program revenues:		
Water	\$871,360	\$889,162
Wastewater	1,257,346	1,312,853
Capital Contribution	57,032	23,666
General & intergovernmental Revenues and transfers	108,000	225,400
Total Revenues	2,293,738	2,451,081
Expenses:		
Water	945,678	760,670
Wastewater	1,866,459	1,706,631
Other Enterprise Funds	0	0
Total Expenses	2,812,137	2,467,301
Net (Expense) Revenue	(518,399)	(16,220)
Prior Period Adjustment	0	0
Change in Net position	\$(518,399)	\$(16,220)

The City's Business-Type revenue decreased by 6.9%. This 6.9% decrease from the previous fiscal year is most likely due to aged meters as well as reduced leachate hauling income. Water revenue collections decreased by 2%. Wastewater revenue collections decreased 4.4% compared to the previous fiscal year. Capital Contributions and Intergovernmental revenues and transfers increased 125% compared to the previous fiscal year.

There was an increase of 14% in total business-type activity expense from the previous fiscal year. Water operational expenditures increased 24.3% and Wastewater operational expenses increased 9.4%. Both the water and sewer departments had an increase in outside service expenses, chlorine and chemicals, capital outlay for compliance projects as well as, adjustments of retirement and pension costs as required by GASB 68, increasing department expenses.

The City implemented GASB 68 as of June 30, 2015 reporting period, accounting and financial reporting for pensions. The inclusion of this financial data improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Table 5
Changes in Business-Type Net Position June 30, 2020
Net (Expense) Revenues from Services

	2020	2019
Water Services	\$(54,729)	\$132,818
Wastewater Services	(463,670)	(149,038)
Totals	\$(518,399)	\$(16,220)

There was a decrease of \$502,179 to net position for business-type activities from the previous fiscal year. The change in net position for Water services was \$502,179, lower than the net for fiscal year 18/19 due to increased expenses for outside services and adjustments of retirement and pension costs as required by GASB 68. The change in net position for Wastewater services was (\$463,670), higher than the net loss from fiscal year 18/19 associated to an decrease in program income from leachate hauling and an increase in expenses for chlorine and chemicals and bacteria testing, increased capital outlay for compliance projects, increases to outside services as well as, adjustments of retirement and pension costs as required by GASB 68.

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 as shown below:

Table 6
Capital Assets at June 30, 2020
(Net of Depreciation)

	Government Activities	Business Activities	Total
Land	\$1,630,332	\$0	\$1,630,332
Structures & Improvements	21,273,609	21,404,565	42,725,853
Vehicles, machinery, equipment and software	3,286,563	2,928,766	6,215,329
Construction in Progress	956,762	138,786	1,047,869
Less accumulated depreciation	(10,145,155)	(13,054,462)	(23,199,617)
Totals	\$17,002,111	\$11,417,655	\$28,419,766

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 2019/2020 were in the area of land improvements and infrastructure and the purchase or lease of Vehicles and Equipment. The City replaced the DPW street sweeper for \$225,984, a DPW replacement work truck, and a ford truck replacement vehicle. Police Vehicles were replaced with restricted Prop 172 funds. The City spent \$770,416 for the improvement of streets, sidewalks, drainage and paving with measure “S” funds including Boulder Street Sidewalk and Railing, South Pine Sidewalk and Railing Project. Using various budgeted funds the City spent \$200,000 on the ADA improvements at the Pioneer Park restrooms as well as Curb Cuts Project using CDBG Grant funds. The Department of Transportation provided \$115,420 in funding for the preliminary engineering of the Nevada Street Highway Bridge project.

The increase in capital assets for business activities is associated to completed projects at the water treatment plant for the Boulder St Waterline project, a chlorine building compliance project, a little Idaho ditch, an NID Cross Connect Project as well as the installation of a storm drain in Old Downieville. The Wastewater increase in capital assets was due to the completion of two compliance projects. see Note 4 of the financials for additional detail on changes in capital assets during the year.

Debt Administration

Table 7
Outstanding Debt at June 30, 2020

	Government Activities	Business Activities	Total
Loans Payable	\$872,591	\$303,468	\$1,176,059
Bonds Payable	-	-	-
Certificates of Participation	-	3,294,000	3,294,000
Capital Leases	-	-	-
Compensated absences payable	314,799	19,100	333,899
Total Outstanding Debt	\$1,187,390	\$3,616,568	\$4,803,958
Net Pension Liability	4,538,786	642,173	5,180,959
Totals	\$5,726,176	\$4,258,741	\$9,984,917

At year-end, the City had \$9,984,917 in long term debt outstanding compared to \$9,420,519 at June 30, 2019. The City had an overall increase in debt of \$564,398. The increase in outstanding debt of 564,398 was associated to an increase in the pension liability for government and business activities as a requirement of the new GASB 68 ruling setting forth changes in accounting principle. There was an increase of \$326,224 for the purchase of a replacement street sweeper, patrol vehicles as well as DPW replacement vehicles. 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 and scheduled principal payments on the USDA Wastewater Fund Promissory note obtained in fiscal year 2007/2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget developed for fiscal year 2020/21 was adopted by the City Council on June 10, 2020. The General Fund budget approved by the City Council anticipates \$4.46 million in revenues, \$4.46 million in expenditures and possibly a transfers of restricted funds from a pension fund, with Net (Expense)/Revenue being -78k. Reduced revenue projections are associated to reduced sales taxes, transient occupancy taxes, parking meter funds, parking citations and recreation revenues due to COVID-19. The City will continue to closely monitor economic activity along with actions taken by regional and state governments that may impact the City's budget.

Revenue collections for sales tax, property tax, and remaining general fund revenues were projected to increase 7% compared to the 2019/2020 year-end adjusted budget. The City's outside sales tax consultant HdL has provided the City with this sales tax projection, which is a 7% increase over the FY 19/20 budget, but a decrease of 16% from the pre-COVID-19 mid-year projection of \$1.31 million. Actual sales tax received for FY 19/20 is projected to be \$1.14 million.

Transient Occupancy Tax (TOT) is projected to be at \$295k, a decrease of \$125k from the FY 19/20 adopted budget of \$420k. A decrease of 42% due to COVID-19 Restrictions of the industry.

Business licenses are projected to be \$60k a decrease from the FY 19/20 budget of \$12.5k anticipated that due to COVID-19 some businesses will close permanently. With the passage of Measure “X”, the business license fees will go up on July 1, 2020 by the Consumer Price Index (CPI). Which is currently at 1.3% for the past 12 months through April 2020.

Cannabis application and permit fees and the Measure “F” excise tax are budgeted at \$540k an increase of \$230k from the FY 19/20 budget of \$310k. Actual application, permit fees and excise tax collection for FY 19/20 are projected to be \$593k.

The Parks and Recreation programs budget at \$85.9k which is a decrease of \$54.6k from the FY 19/20 of \$140.5k incorporating the potential that the pool and summer programs will not be in place for the 2020 summer but back running the summer of 2021.

Parking meter and citation revenue at \$175k is down \$230k equating to 57% from the FY 19/20 adopted budget of \$405k associated to significant declines in visitors to downtown related to the COVID-19 pandemic.

The City is projecting an update to the A-87 Cost Allocation plan for indirect costs. A program income projection of \$250k is included in the FY 20/21 budget, which is an increase from the current plan of \$173k.

General Fund operating expenditures for the Departments of Finance and Administration, City Council, Planning Commission, City Attorney, City Planner, City Engineer, City Manager, City Clerk and Treasurer, Fire, Police, Public Works, Park and Recreation, and the Veteran’s Building total \$4.6 million for the FY 20/21 which is a decrease of \$224.5k or 4.6% as compared to the FY 19/20 adopted budget of \$4.84 million. The decrease is due to cutting all departments operational budgets including eliminating any capital outlay and major maintenance projects.

Revenue collections for the special taxes, Measure “S” and Measure “C”, significantly assist the City in maintaining streets and roads, as well as provide funding for the Fire Department and Police Department. Measure “F”, the Nevada City voter approved cannabis excise general-purpose tax will continue to support the operation needs of the City. The approved City budget reflects 540k in revenue, “F” excise tax, as well as, cannabis related permit revenue.

The General Fund has maintained a slow but improving economic financial position over the last several fiscal years. Fiscal year 19/20 shows an increase in the General fund balance. the City has maintained a positive unassigned fund balance of \$1,216,802 ending fiscal year 2019/2020. It is crucial that City staff monitor incoming revenues and prioritize and review program expenditures to support, preserve and support sustainable and viable financial status and provide quality service levels to serve its constituency.

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.

Basic Financial Statements
Government-Wide Financial Statements

City of Nevada City
STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 1,890,923	\$ 1,660,685	\$ 3,551,608
Receivables:			
Taxes	812,008	-	812,008
Accounts	75,918	571,870	647,788
Due from other governments	973,205	214,760	1,187,965
Accrued interest	17,678	22,262	39,940
Prepaid items	222,656	-	222,656
Total current assets	<u>3,992,388</u>	<u>2,469,577</u>	<u>6,461,965</u>
Noncurrent assets:			
Loans receivable	17,633	-	17,633
Capital assets:			
Non-depreciable	2,587,094	59	2,587,153
Depreciable, net of accumulated depreciation	<u>14,415,017</u>	<u>11,417,596</u>	<u>25,832,613</u>
Total noncurrent assets	<u>17,019,744</u>	<u>11,417,655</u>	<u>28,437,399</u>
Total assets	<u>21,012,132</u>	<u>13,887,232</u>	<u>34,899,364</u>
<u>DEFERRED OUTFLOWS</u>			
Deferred outflows related to pensions	<u>1,249,312</u>	<u>98,115</u>	<u>1,347,427</u>
Total deferred outflows	<u>1,249,312</u>	<u>98,115</u>	<u>1,347,427</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	377,276	224,205	601,481
Unearned income	620,261	214,277	834,538
Debt payable due in one year	<u>169,898</u>	<u>138,308</u>	<u>308,206</u>
Total current liabilities	<u>1,167,435</u>	<u>576,790</u>	<u>1,744,225</u>
Noncurrent liabilities due in more than one year:			
Compensated absences	314,799	19,100	333,899
Loans payable	702,693	235,160	937,853
Certificates of participation	-	3,224,000	3,224,000
Net pension liability	<u>4,538,786</u>	<u>642,173</u>	<u>5,180,959</u>
Total noncurrent liabilities	<u>5,556,278</u>	<u>4,120,433</u>	<u>9,676,711</u>
Total liabilities	<u>6,723,713</u>	<u>4,697,223</u>	<u>11,420,936</u>
<u>DEFERRED INFLOWS</u>			
Deferred Inflows related to pensions	<u>299,466</u>	<u>68,485</u>	<u>367,951</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	16,129,520	7,831,052	23,960,572
Restricted	-	381,212	381,212
Unrestricted	<u>(891,255)</u>	<u>1,007,375</u>	<u>116,120</u>
Total net position	<u>\$ 15,238,265</u>	<u>\$ 9,219,639</u>	<u>\$ 24,457,904</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>			
<u>City Government</u>							
Governmental activities:							
General government	\$ 673,431	\$ 220,097	\$ 717,025	\$ 2,471	\$ 266,162	\$ -	\$ 266,162
Public safety	2,102,367	442,146	246,676	-	(1,413,545)	-	(1,413,545)
Public works	2,862,076	149,941	339,103	162,913	(2,210,119)	-	(2,210,119)
Recreation and culture	396,084	134,371	-	-	(261,713)	-	(261,713)
Interest on long-term debt	50,985	-	-	-	(50,985)	-	(50,985)
Total governmental activities	<u>6,084,943</u>	<u>946,555</u>	<u>1,302,804</u>	<u>165,384</u>	<u>(3,670,200)</u>	<u>-</u>	<u>(3,670,200)</u>
Business-type activities:							
Water services	945,678	871,360	-	-	-	(74,318)	(74,318)
Sewer services	1,866,459	1,257,346	-	108,000	-	(501,113)	(501,113)
Total business-type activities	<u>2,812,137</u>	<u>2,128,706</u>	<u>-</u>	<u>108,000</u>	<u>-</u>	<u>(575,431)</u>	<u>(575,431)</u>
Total City Government	<u>\$ 7,951,402</u>	<u>\$ 2,203,901</u>	<u>\$ 1,302,804</u>	<u>\$ 273,384</u>	<u>(3,670,200)</u>	<u>(575,431)</u>	<u>(4,245,631)</u>
General revenues:							
Taxes:							
Property taxes					1,679,647	-	1,679,647
Sales taxes					2,576,177	-	2,576,177
Franchise taxes					160,993	-	160,993
Other taxes					390,267	-	390,267
Use of money and property					100,510	57,032	157,542
Other revenues					40,849	-	40,849
Total general revenues and special items					<u>4,948,443</u>	<u>57,032</u>	<u>5,005,475</u>
Change in net position					1,278,243	(518,399)	759,844
Net position beginning of period					13,960,022	9,738,038	23,698,060
Net position ending of period					<u>\$ 15,238,265</u>	<u>\$ 9,219,639</u>	<u>\$ 24,457,904</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	General Fund	Measure S Projects Fund	Measure C	CMAQ Streets and Road	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and investments	\$ 1,504,936	\$ -	\$ 130,075	\$ -	\$ 255,912	\$ 1,890,923
Due from other governments	400,905	-	-	18,495	553,805	973,205
Taxes receivable	524,517	155,169	117,743	-	14,579	812,008
Accounts receivable	53,494	-	18,171	-	4,253	75,918
Accrued interest receivable	9,996	-	1,589	-	6,092	17,677
Prepaid items	192,464	6,039	24,153	-	-	222,656
Due from other funds	147,049	-	-	-	-	147,049
Loans receivable	-	-	-	-	17,633	17,633
Total assets	<u>\$ 2,833,361</u>	<u>\$ 161,208</u>	<u>\$ 291,731</u>	<u>\$ 18,495</u>	<u>\$ 852,274</u>	<u>\$ 4,157,069</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 137,594	\$ 44,896	\$ 2,183	\$ -	\$ 44,832	\$ 229,505
Accrued expenditures	140,454	1,060	6,257	-	-	147,771
Unearned income	90,911	-	-	17,495	511,855	620,261
Due to other funds	-	99,394	-	47,655	-	147,049
Total liabilities	<u>368,959</u>	<u>145,350</u>	<u>8,440</u>	<u>65,150</u>	<u>556,687</u>	<u>1,144,586</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenues						
Deferred business loan payments	-	-	-	-	17,633	17,633
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,633</u>	<u>17,633</u>
<u>FUND BALANCES</u>						
Nonspendable	-	-	-	-	-	-
Restricted	992,334	15,858	283,291	-	-	1,291,483
Committed	233,860	-	-	-	-	233,860
Unassigned	1,216,802	-	-	(46,655)	756,923	1,927,070
Assigned	21,406	-	-	-	(478,969)	(457,563)
Total fund balances	<u>2,464,402</u>	<u>15,858</u>	<u>283,291</u>	<u>(46,655)</u>	<u>277,954</u>	<u>2,994,850</u>
Total liabilities and fund balances	<u>\$ 2,833,361</u>	<u>\$ 161,208</u>	<u>\$ 291,731</u>	<u>\$ 18,495</u>	<u>\$ 852,274</u>	<u>\$ 4,157,069</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
For the year ended June 30, 2020

Total fund balances - governmental funds	\$	2,994,850
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,002,111
Other long term assets are not available to pay for current period expenditures therefore, are reported as unavailable revenues in the governmental funds.		17,633
Deferred outflows of resources related to pensions are not reported in the governmental funds.		1,249,312
Deferred inflows of resources related to pensions are not reported in the governmental funds.		(299,466)
Long-term liabilities applicable to the City's governmental activities are due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Debt payable	(872,591)	
Compensated absences	(314,799)	
Net pension liability	(4,538,786)	
Total long-term liabilities		<u>(5,726,176)</u>
Total net position - governmental activities	\$	<u><u>15,238,264</u></u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Measure S Projects Fund	Measure C	CMAQ Streets and Road	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>						
Property taxes	\$ 1,679,647	\$ -	\$ -	\$ -	\$ 439,166	\$ 2,118,813
Sales taxes	1,279,373	740,611	553,969	-	-	2,573,953
Franchise taxes	160,993	-	-	-	-	160,993
Other taxes	927,526	-	-	-	-	927,526
Licenses and permits	189,300	-	-	-	-	189,300
Fines and forfeits	144,060	-	-	-	-	144,060
Intergovernmental	155,011	-	-	13,374	498,829	667,214
Use of money and property	94,402	-	1,990	-	7,480	103,872
Charges for services	239,877	-	-	-	16,133	256,010
Other revenues	192,059	-	-	-	29,386	221,445
Total revenues	<u>5,062,248</u>	<u>740,611</u>	<u>555,959</u>	<u>13,374</u>	<u>990,994</u>	<u>7,363,186</u>
<u>EXPENDITURES</u>						
Current:						
General government	673,431	-	-	-	-	673,431
Public safety	2,454,765	-	482,066	-	355,137	3,291,968
Public works	1,249,806	1,043,975	-	18,495	487,310	2,799,586
Recreation and culture	396,084	-	-	-	-	396,084
Debt service:						
Principal	54,858	-	33,410	-	27,791	116,059
Interest	19,884	-	16,235	-	14,866	50,985
Total expenditures	<u>4,848,828</u>	<u>1,043,975</u>	<u>531,711</u>	<u>18,495</u>	<u>885,104</u>	<u>7,328,113</u>
Excess (deficiency) of revenues over expenditures	<u>213,420</u>	<u>(303,364)</u>	<u>24,248</u>	<u>(5,121)</u>	<u>105,890</u>	<u>35,073</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Debt proceeds	223,075	-	-	-	103,149	326,224
Transfers in	-	188,348	-	-	24,260	212,608
Transfers out	(8,261)	(15,999)	-	-	(188,348)	(212,608)
Total other financing sources (uses)	<u>214,814</u>	<u>172,349</u>	<u>-</u>	<u>-</u>	<u>(60,939)</u>	<u>326,224</u>
Net change in fund balances	428,234	(131,015)	24,248	(5,121)	44,951	361,297
Fund balances, beginning of period	<u>2,036,168</u>	<u>146,873</u>	<u>259,043</u>	<u>(41,534)</u>	<u>233,003</u>	<u>2,633,553</u>
Fund balances, end of period	<u>\$ 2,464,402</u>	<u>\$ 15,858</u>	<u>\$ 283,291</u>	<u>\$ (46,655)</u>	<u>\$ 277,954</u>	<u>\$ 2,994,850</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 361,297

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

CAPITAL ASSET TRANSACTIONS

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 as depreciation expense. This is the amount by which depreciation (\$873,302)
exceeds capital outlays \$2,346,672 in the current period. 1,473,370

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Long-term debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net position. (326,224)

Repayment of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position. 116,059

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. (3,623)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the statement of activities do not require the use of
or provide current financial resources and are therefore not reported as expenditures
or revenues in the governmental funds.

Compensated absences (58,867)
Pension expense (283,769)

Net difference 916,946

Change in Net Position of Governmental Activities \$ 1,278,243

The accompanying notes are an integral part of these financial statements.

City of Nevada City
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Water Fund	Totals
Assets			
Cash and investments	\$ 1,441,107	\$ 219,578	\$ 1,660,685
Accounts receivable	396,433	175,437	571,870
Interest receivable	18,408	3,854	22,262
Due from other governments	483	214,277	214,760
Total current assets	<u>1,856,431</u>	<u>613,146</u>	<u>2,469,577</u>
Noncurrent assets:			
Non-depreciable	-	59	59
Depreciable, net	<u>8,638,774</u>	<u>2,778,822</u>	<u>11,417,596</u>
Total noncurrent assets	<u>8,638,774</u>	<u>2,778,881</u>	<u>11,417,655</u>
Total assets	<u>10,495,205</u>	<u>3,392,027</u>	<u>13,887,232</u>
Deferred outflows of resources			
Current pension contributions	<u>59,967</u>	<u>38,148</u>	<u>98,115</u>
Liabilities			
Accounts payable	65,327	64,988	130,315
Compensated absences	10,364	8,736	19,100
Accrued liabilities	87,253	6,637	93,890
Unearned income	-	214,277	214,277
Loan payable	64,614	3,694	68,308
Certificates of participation	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total current liabilities	<u>297,558</u>	<u>298,332</u>	<u>595,890</u>
Noncurrent liabilities			
Net pension liability	398,232	243,941	642,173
Loan payable	227,989	7,171	235,160
Certificates of participation	<u>3,224,000</u>	<u>-</u>	<u>3,224,000</u>
Total noncurrent liabilities	<u>3,850,221</u>	<u>251,112</u>	<u>4,101,333</u>
Total liabilities	<u>4,147,779</u>	<u>549,444</u>	<u>4,697,223</u>
Deferred inflows of resources			
Deferral of pension expenses	<u>43,704</u>	<u>24,781</u>	<u>68,485</u>
Net position			
Invested in capital assets,			
Net of related debt	5,052,171	2,778,881	7,831,052
Restricted	33,371	51,654	85,025
Restricted for debt service	296,187	-	296,187
Unrestricted	<u>981,960</u>	<u>25,415</u>	<u>1,007,375</u>
Total net position	<u>\$ 6,363,689</u>	<u>\$ 2,855,950</u>	<u>\$ 9,219,639</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
 PROPRIETARY FUNDS
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET POSITION
 For the Year Ended June 30, 2020

	<u>Business-Type Activities-Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues			
Service charges	\$ 1,248,136	\$ 856,521	\$ 2,104,657
Miscellaneous revenues	9,210	14,839	24,049
Total operating revenues	<u>1,257,346</u>	<u>871,360</u>	<u>2,128,706</u>
 Operating expenses			
Employee services	548,172	187,473	735,645
Supplies and services	702,755	570,631	1,273,386
Depreciation	<u>465,692</u>	<u>187,574</u>	<u>653,266</u>
Total operating expenses	<u>1,716,619</u>	<u>945,678</u>	<u>2,662,297</u>
 Total operating income (loss)	<u>(459,273)</u>	<u>(74,318)</u>	<u>(533,591)</u>
Nonoperating revenues (expenses)			
Investment earnings	37,443	19,589	57,032
Intergovernmental revenues	108,000	-	108,000
Interest expense	<u>(149,840)</u>	<u>-</u>	<u>(149,840)</u>
Total nonoperating revenues (expenses)	<u>(4,397)</u>	<u>19,589</u>	<u>15,192</u>
 Income before transfers	<u>(463,670)</u>	<u>(54,729)</u>	<u>(518,399)</u>
 Operating transfer in	-	-	-
Operating transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 Change in net position	(463,670)	(54,729)	(518,399)
 Total net position - beginning	<u>6,827,359</u>	<u>2,910,679</u>	<u>9,738,038</u>
Total net position - ending	<u>\$ 6,363,689</u>	<u>\$ 2,855,950</u>	<u>\$ 9,219,639</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
 PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2020

	Business-Type Activities-Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,094,389	\$ 837,059	\$ 1,931,448
Payments to suppliers	(699,695)	(534,688)	(1,234,383)
Payments to employees	<u>(472,537)</u>	<u>(139,768)</u>	<u>(612,305)</u>
Net cash provided by operating activities	<u>(77,843)</u>	<u>162,603</u>	<u>84,760</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer ins	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenues	107,517	-	107,517
Acquisition of capital assets	(227,903)	(349,557)	(577,460)
Principal paid on capital debt	(128,362)	-	(128,362)
Interest paid on capital debt	<u>(149,840)</u>	<u>-</u>	<u>(149,840)</u>
Net cash provided (used) by capital and related financing activities	<u>(398,588)</u>	<u>(349,557)</u>	<u>(748,145)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>21,210</u>	<u>16,262</u>	<u>37,472</u>
Net cash provided by investing activities	<u>21,210</u>	<u>16,262</u>	<u>37,472</u>
Net increase in cash and cash equivalents	(455,221)	(170,692)	(625,913)
Cash and equivalents, July 1	<u>1,896,328</u>	<u>390,270</u>	<u>2,286,598</u>
Cash and equivalents, June 30	<u>\$ 1,441,107</u>	<u>\$ 219,578</u>	<u>\$ 1,660,685</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ (459,273)	\$ (74,318)	\$ (533,591)
Adjustments to reconcile operating income			
To net cash provided (used) by operating activities			
Depreciation expense	465,692	187,574	653,266
(Increase) decrease in deferred outflows of resources	56,474	28,203	84,677
Accounts receivable	(162,957)	(34,301)	(197,258)
Due from other funds	-	-	-
Prepaid items	-	-	-
Increase (decrease) in accounts payable	3,060	35,943	39,003
Compensated absences	(11,237)	(2,971)	(14,208)
Deferred inflows of resources	3,804	3,410	7,214
Accrued liabilities	(3,523)	(22)	(3,545)
Net pension liability	<u>30,117</u>	<u>19,085</u>	<u>49,202</u>
Net cash provided (used) by operating activities	<u>\$ (77,843)</u>	<u>\$ 162,603</u>	<u>\$ 84,760</u>

The accompanying notes are an integral part of these financial statements.

City of Nevada City
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
 June 30, 2020

	CABY Miscellaneous Agency
Assets	
Cash and investments	\$ -
Due from other governments	315,417
Total assets	315,417
Liabilities	
Due to other governments	324,341
Unearned income	118,835
Total liabilities	443,176
Net position (deficit):	
Held in trust for private purposes	\$ (127,759)

The accompanying notes are an integral part of these financial statements.

City of Nevada City
PRIVATE PURPOSE TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

	CABY Miscellaneous Agency
Additions	
Property tax	\$ -
Intergovernmental	196,582
Total additions	196,582
 Deductions	
Current	
Community development	
Other charges	-
Total deductions	-
Net change in fund balances	196,582
Net position - beginning	(324,341)
Net position - ending	\$ (127,759)

The accompanying notes are an integral part of these financial statements.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Nevada City (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 and recreation, public improvements, planning and zoning, general administrative services, and water and sewer.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

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

Joint Agencies

The City is a participant in Public Agency Risk Sharing Authority of California (PARSAC), which is a joint powers authority 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 the 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 and one fire district. Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The City is a participant in Northern California Cities Self-Insurance Fund (NCCSIF), the purpose of which is for member cities to share in the administrative costs of providing liability and workers' compensation insurance. The NCCSIF is governed by a board of directors appointed by the member cities. Complete financial information can be obtained from the Program Administrator, 2180 Harvard Street, Suite 460, Sacramento, CA 95815. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The City is a participant in the Nevada County Service Authority for the Abatement of Abandoned Vehicles program, which was created pursuant to California Vehicle Code Section 22710 in order for the County of Nevada, City of Nevada City, 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 not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (concluded)

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 Nevada City. Complete financial activity can be obtained at County of Nevada, Auditor-Controller, 950 Maidu Avenue, Nevada City, California 95959-8617. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

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. The City is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the City. These statements include the financial activities of the overall government. 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 intergovernmental 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. 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.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as nonmajor funds.

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". Funding comes primarily from Measure "S" tax revenues.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

- The Measure “C” fund is a special revenue fund used to account for revenues and expenditures related to Measure “C”. Funding comes primarily from Measure “C” tax revenues.
- The CMAQ ST & RD fund is a special revenue fund used to account for revenue and expenditures related to the CMAQ grant program. Funding comes primarily from State and Federal grant revenues.

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 type:

- Private Purpose Trust fund accounts for property held under a trust arrangement under which principal and income benefit individuals, private organizations or other governments. The Private Purpose Trust fund includes the CABY Misc Agency Fund.

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund 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.

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 and sales 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 asset 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.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting and Measurement Focus (concluded)

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.

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 position.

E. Cash and Cash Equivalents

For purposes of the accompanying Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less and amounts held in the City's investment pool, to be cash and cash equivalents.

F. Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Investment transactions are recorded on the trade date. The fair value of investments is determined annually. Investments in nonparticipating interest-earning investment contracts are reported at cost; short term investments are reported at amortized cost, investments in the State of California Local Agency Investment Fund, an external pool, are reported at amortized cost which approximates fair value, and the fair value of all other investments are obtained by using quotations obtained from independent published sources or by the safekeeping institution. The fair value represents the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

Income from pooled investments is allocated to the individual funds based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Income from non-pooled investments is recorded based on the specific investments held by the fund.

G. Receivables

Receivables for governmental activities consist mainly of accounts, interest, taxes and intergovernmental. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

Receivables for enterprise funds consist mainly of user fees and interest. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Other Assets

Inventory

Governmental fund inventories and proprietary fund inventories are recorded as expenditures/expenses at the time the inventory is purchased rather than when consumed. 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, 2020, are recorded as prepaid items under both the accrual and modified accrual basis of accounting. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The City records both prepaid costs for expenditures/expenses paid for services that will benefit future periods and prepaid insurance for the net investment in a joint powers self-insurance agency.

I. Business Loans Receivable

A total of \$17,633 was recorded as loans receivable at June 30, 2020. These represent low interest notes and related accrued interest to finance business start-up costs. Loan terms are 15 years with interest rates at 3.25 percent. The primary source of funding for these loans comes from grants from the federal Community Development Block Grant (CDBG) program. The CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements. Due to the terms of the loans, an offsetting deferred inflows of resources of \$17,633 has been established in the Governmental Funds Balance Sheet for the business loan principal and interest payments.

J. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer and similar items) are defined by the City as assets with a cost greater than \$5,000 for equipment and structures and improvements, and \$20,000 for infrastructure and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives 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	3-10 years
Structures and improvements	20-40 years
Infrastructure	20-40 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.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

Property taxes are levied on a fiscal year (July 1 - June 30). The secured property tax assessments are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. The unsecured property tax assessments are due on August 1, and become delinquent after August 31. Property taxes become a lien on the property effective January 1 of the preceding year.

The City recognizes property taxes when the individual installments are due provided they are collected within 30 days after year-end.

L. 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. Any residual balances outstanding between the governmental activities and the business-type activities, are reported in the government-wide financial statements as “internal balances”. 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.

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 reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

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

M. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Compensated Absences and Other Post-employment Benefits

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from City service. Employees accumulate sick leave during employment with the City, however, this benefit does not vest with the employee. The compensated absences liability is typically liquidated by the General fund for all non-proprietary fund compensated absences. In the government-wide and proprietary fund financial statements, the accrued compensated absences is reported as an expense and related liability. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

The City does not currently provide other post-employment healthcare or other non-pension benefits.

O. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items which qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to the inflows from changes in the net pension liability and is reportable on the Statement of Net Position. The third item relates to the total business loan principal and interest receivable amount and is reportable on the Statement of Net Position as well as on the governmental funds balance sheet.

Q. 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
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

R. Implementation of Governmental Accounting Standards Board Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits.

Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

The following major governmental fund had a deficit fund balance:

- The CMAQ ST & RD fund had a fund balance deficit of \$46,655, which is expected to be eliminated in the future through grant revenues.

The following nonmajor governmental funds had deficit fund balances:

- The Nevada Main Project fund had a fund balance deficit of \$121,621, which is expected to be eliminated in the future through increased revenues.
- Fund 212 had a fund balance deficit of \$34,000.
- Fund 213 had a fund balance deficit of \$86,000.
- FEMA Fund had a fund balance deficit of \$15,962.
- Little Creek Fund had a fund balance deficit of \$6,107.
- CDBG Enterprise Fund had a fund balance deficit of \$215,279.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2020, the City's cash and investments are reported in the financial statements as follows:

	Maturity 12 Months or less
Cash and investments, Governmental activities	\$ 1,890,923
Cash and investments, Business-type activities	1,660,685
Total cash and investments	\$ 3,551,608

As of June 30, 2020, the City's cash and investments consisted of the following:

Cash and investments:	
Demand deposits	\$ 1,801,239
Local Agency Investment Fund	517,369
Certificates of Deposit	1,233,000
Total cash and investments	\$ 3,551,608

B. Cash

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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 the 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 of more than the \$250,000 insured amount are collateralized.

C. Investments

Pursuant to Section 53646 of the Government Code, the City prepares an investment policy annually and presents it to the City Council for review and approval. The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law.

Under the provisions of the City's investment policy the City may invest or deposit in the following:

- United States Treasury Bills, Bonds and Notes
- Securities of the U.S. Government or its Agencies
- Local Agency Investment Fund (LAIF)
- Certificates of Deposit

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3: CASH AND INVESTMENTS (continued)

C. Investments (continued)

Fair Value of Investments - The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The City's position in external investment pools is in its self-regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the City's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2020, the City had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Level 1</u>	<u>Exempt</u>	<u>Total</u>
Certificates of Deposit	\$ 1,233,000	\$ -	\$ 1,233,000
California Local Agency Investment Fund	<u>517,369</u>	-	<u>517,369</u>
Total investments	<u>\$ 1,750,369</u>	<u>\$ -</u>	<u>1,750,369</u>
Cash in banks and on hand			<u>1,801,239</u>
Total cash and investments			<u>\$ 3,551,608</u>

<u>Investment Type</u>	<u>Total Investment</u>
Not rated:	
Certificates of Deposit	\$ 1,233,000
California Local Agency Investment Fund	517,369
Cash in banks and on hand	<u>1,801,239</u>
Total cash and investments	<u>\$ 3,551,608</u>

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. To limit the exposure to fair value losses resulting from increases in interest rates, the City's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the City to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the City Council.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by California Government Code or City investment policy, and the actual rating as of year-end for each investment type.

Custodial Credit Risk - Custodial credit risk for investments 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's investment policy requires that all of its managed investments be held in the name of the City in safekeeping by a third party bank trust department.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3: CASH AND INVESTMENTS (concluded)

C. Investments (concluded)

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's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) at June 30, 2020, that represent 5 percent or more of total City investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>% of Investments</u>
Certificates of Deposit and fixed income	\$ 1,233,000	35%

D. Investment in External Investment Pool

The City of Nevada City maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2020, the City's investment in LAIF valued at amortized cost was the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$106 billion. Of that amount, 95.56 percent is invested in non-derivative financial products and 1.77 percent in structured notes and asset-backed securities.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements & Adjustments</u>	<u>Balance June 30, 2020</u>
Land	\$ 1,630,332	\$ -	\$ -	\$ 1,630,332
Construction in progress	<u>1,343,961</u>	<u>804,548</u>	<u>1,191,747</u>	<u>956,762</u>
Total	<u>2,974,293</u>	<u>804,548</u>	<u>1,191,747</u>	<u>2,587,094</u>
Buildings	5,035,989	209,138	-	5,245,127
Machinery & Equipment	2,215,861	1,070,702	-	3,286,563
Infrastructure	<u>14,574,451</u>	<u>1,454,031</u>	<u>-</u>	<u>16,028,482</u>
Total	<u>21,826,301</u>	<u>2,733,871</u>	<u>-</u>	<u>24,560,172</u>
Less accumulated depreciation for:				
Buildings	(1,981,583)	(139,704)	-	(2,121,287)
Machinery & Equipment	(1,966,658)	(163,747)	-	(2,130,405)
Infrastructure	<u>(5,323,612)</u>	<u>(569,851)</u>	<u>-</u>	<u>(5,893,463)</u>
Total	<u>(9,271,853)</u>	<u>(873,302)</u>	<u>-</u>	<u>(10,145,155)</u>
Fixed asset totals	<u>\$ 15,528,741</u>	<u>\$ 2,655,117</u>	<u>\$ 1,191,747</u>	<u>\$ 17,002,111</u>

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 4: CAPITAL ASSETS (concluded)

<u>Business-type Activities</u>	Balance July 1, 2019	Additions	Retirements & Adjustments	Balance June 30, 2020
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	59	248,381	109,654	138,786
Total	<u>59</u>	<u>248,381</u>	<u>109,654</u>	<u>138,786</u>
Buildings	20,943,216	345,451	47,679	21,240,988
Machinery & Equipment	2,831,059	97,707	-	2,928,766
Infrastructure	109,457	54,120	-	163,577
Total	<u>23,883,732</u>	<u>497,278</u>	<u>47,679</u>	<u>24,333,331</u>
Less accumulated depreciation for:				
Buildings	(10,556,110)	(559,838)	-	(11,115,948)
Machinery & Equipment	(1,735,628)	(87,289)	-	(1,822,917)
Infrastructure	(109,457)	(6,140)	-	(115,597)
Total	<u>(12,401,195)</u>	<u>(653,267)</u>	<u>-</u>	<u>(13,054,462)</u>
Fixed asset totals	<u>\$ 11,482,596</u>	<u>\$ 92,392</u>	<u>\$ 157,333</u>	<u>\$ 11,417,655</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Public safety	<u>\$ 873,302</u>
---------------	-------------------

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

Water	\$ 187,574
Wastewater	<u>465,692</u>
Total depreciation expense - business-type functions	<u>\$ 653,266</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 to the sewer mixer project.

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.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5: INTERFUND TRANSACTIONS (concluded)

The following are due from and due to balances as of June 30, 2020:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 147,049	\$ -
Measure S Fund		99,394
CMAQ	-	47,655
Total	<u>\$ 147,049</u>	<u>\$ 147,049</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2020:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 8,261
Measure "S" project funds	188,348	15,999
Nevada Main Project	15,999	-
Gas Tax	-	68,348
Fund 212	-	34,000
Fund 213	-	86,000
Measure L	8,261	-
Total	<u>\$ 212,608</u>	<u>\$ 212,608</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities					
Tri Counties loans	\$ 260,560	\$ 223,075	\$ 54,858	\$ 428,777	\$ 55,644
GM Financial	-	103,149	27,792	75,357	21,850
Mobile equipment loans	401,867	-	33,410	368,457	34,760
Net pension liability	4,160,716	378,070	-	4,538,786	-
Compensated absences	255,932	231,859	172,992	314,799	220,359
Total governmental activities	<u>\$ 5,079,075</u>	<u>\$ 936,153</u>	<u>\$ 289,052</u>	<u>\$ 5,726,176</u>	<u>\$ 332,613</u>
Business-type activities					
Certificates of Participation	\$ 3,361,000	\$ -	\$ 67,000	\$ 3,294,000	\$ 70,000
Citizens loan	353,965	-	72,227	281,738	60,920
Tri Counties loans	-	21,730	-	21,730	7,388
Net pension liability	592,971	49,202	-	642,173	-
Compensated absences	33,308	7,774	21,982	19,100	13,370
Total business-type activities	<u>\$ 4,341,244</u>	<u>\$ 78,706</u>	<u>\$ 161,209</u>	<u>\$ 4,258,741</u>	<u>\$ 151,678</u>

Compensated absences are generally liquidated by the fund where the accrued liability occurred. The capital lease liability is liquidated by lease payments made by the department leasing the equipment.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6: LONG-TERM LIABILITIES (continued)

Individual issues of debt payable outstanding at June 30, 2020, are as follows:

Governmental Activities Loans:

Tri Counties Bank loan, dated December 19, 2017, payable in monthly installments of \$2,274 to \$121,588 with an interest rate of 5.33% and maturity of December 19, 2027. This loan was used to finance the purchase of real property. The remaining amortization schedule is as follows:

Year ending June 30,	425 Nimrod Purchase		
	Principal	Interest	Total
2021	\$ 14,287	\$ 13,002	\$ 27,289
2022	15,078	12,210	27,289
2023	15,914	11,375	27,289
2024	16,766	10,522	27,289
2025	17,724	9,565	27,289
2026-2030	<u>167,290</u>	<u>268,030</u>	<u>435,320</u>
Total	<u>\$ 247,059</u>	<u>\$ 324,705</u>	<u>\$ 571,763</u>

Fire Pumper loan, dated October 19, 2018, payable in Annual installments of \$49,645 to with an interest rate of 4.04% and maturity of October 19, 2028. This loan was used to finance the purchase of real property. The remaining amortization schedule is as follows:

Year ending June 30,	Fire Pumper Purchase		
	Principal	Interest	Total
2021	\$ 34,760	\$ 14,886	\$ 49,645
2022	36,164	13,481	49,645
2023	37,625	12,020	49,645
2024	39,145	10,500	49,645
2025	40,726	8,919	49,645
2026-2030	<u>180,037</u>	<u>18,544</u>	<u>198,581</u>
Total	<u>\$ 368,456</u>	<u>\$ 78,351</u>	<u>\$ 446,807</u>

Tri Counties Bank loan, dated November 20, 2019, payable in semiannual installments in the months of December and June of \$18,832 to \$170,852 with an interest rate of 4.00% and maturity of June 20, 2025. This loan was used to finance the purchase of Machinery & Equipment. The remaining amortization schedule is as follows:

Year ending June 30,	DPW Elgin Badger Sweeper Purchase		
	Principal	Interest	Total
2021	\$ 37,663	\$ 6,548	\$ 44,211
2022	37,663	5,021	42,684
2023	37,663	3,493	41,156
2024	37,663	1,970	39,633
2025	<u>20,200</u>	<u>438</u>	<u>20,638</u>
Total	<u>\$ 170,852</u>	<u>\$ 17,471</u>	<u>\$ 188,323</u>

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6: LONG-TERM LIABILITIES (continued)

Tri Counties Bank loan, dated December 19, 2017, payable in monthly installments of \$2,274 to \$121,588 with an interest rate of 5.33% and maturity of December 19, 2027. This loan was used to finance the purchase of real property. The remaining amortization schedule is as follows:

Year ending June 30,	Vehicle Lease/Purchase		
	Principal	Interest	Total
2021	\$ 23,850	\$ 3,941	\$ 27,791
2022	25,097	2,694	27,791
2023	26,410	1,381	27,791
Total	<u>\$ 75,357</u>	<u>\$ 8,017</u>	<u>\$ 83,374</u>

Governmental Activities and Business-Type Activities Loans:

Tri Counties Bank loan, dated November 1, 2019, payable in semiannual installments in the months of December and June of \$1,847 to \$10,866 with an interest rate of 3.24% and maturity of June 15, 2023. This loan was used to finance the purchase of a vehicle. This loan is split between business-type activities (Sewer and Water) and government-type activities (General). The remaining amortization schedule is as follows:

Year ending June 30,	Sewer		Water		General		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 3,694	\$ 334	\$ 3,694	\$ 334	\$ 3,694	\$ 334	\$ 11,082	\$ 1,002
2022	3,694	212	3,694	212	3,694	212	11,082	636
2023	3,476	76	3,476	76	3,476	76	10,428	228
Total	<u>\$ 10,864</u>	<u>\$ 622</u>	<u>\$ 10,864</u>	<u>\$ 622</u>	<u>\$ 10,864</u>	<u>\$ 622</u>	<u>\$ 32,592</u>	<u>\$ 1,866</u>

Business-Type Activities Loans:

Citizens Bank USDA Refunding Loan, dated June 1, 2008, payable in semiannual installments of \$2,369 to \$77,556 with an interest rate of 4.1% and maturity of August 1, 2025. This loan was used to refund prior loans used to finance the City's wastewater treatment and disposal system. The remaining amortization schedule is as follows:

Year ending June 30,	Wastewater System Improvements (292-59)		
	Principal	Interest	Total
2021	\$ 60,920	\$ 10,352	\$ 71,272
2022	52,677	8,021	60,698
2023	52,440	5,864	58,304
2024	49,215	3,778	52,993
2025	47,016	1,363	48,379
2026-2030	19,470	758	20,228
Total	<u>\$ 281,738</u>	<u>\$ 30,135</u>	<u>\$ 311,874</u>

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6: LONG-TERM LIABILITIES (concluded)

Certificates of Participation:

2005 Wastewater Certificates of Participation, dated October 1, 2005, payable in annual principal installments of \$16,000 to \$48,000, with an interest rate of 4.25% and maturity of July 15, 2045. These Certificates of Participation were used to finance improvements to the City's wastewater collection, treatment and disposal system. The remaining amortization schedule is as follows:

Year ending June 30,	Wastewater System Improvements (92-12)		
	Principal	Interest	Total
2021	\$ 39,000	\$ 75,161	\$ 114,161
2022	41,000	73,461	114,461
2023	42,000	71,698	113,698
2024	44,000	69,870	113,870
2025	46,000	67,958	113,958
2026-2030	261,000	308,104	569,104
2031-2035	322,000	246,373	568,373
2036-2040	396,000	170,298	566,298
2041-2045	487,000	76,819	563,819
2046-2050	<u>110,000</u>	<u>2,338</u>	<u>112,338</u>
Total	<u>\$ 1,788,000</u>	<u>\$ 1,162,078</u>	<u>\$ 2,950,078</u>

2007 Certificates of Participation, dated March 1, 2007, payable in annual principal installments of \$19,000 to \$90,000, with an interest rate of 4.125%, and maturity of July 15, 2046. These Certificates of Participation were used to finance improvements to the City's wastewater collection, treatment and disposal facilities.

Year ending June 30,	Wastewater System Improvements (92-14)		
	Principal	Interest	Total
2021	\$ 31,000	\$ 61,483	\$ 92,483
2022	33,000	60,163	93,163
2023	34,000	60,163	94,163
2024	35,000	57,358	92,358
2025	371,000	55,873	92,873
2026-2030	209,000	254,616	463,616
2031-2035	255,000	206,972	461,972
2036-2040	313,000	148,603	461,603
2041-2045	383,000	77,076	460,076
2046-2050	<u>176,000</u>	<u>7,342</u>	<u>183,342</u>
Total	<u>\$ 1,506,000</u>	<u>\$ 989,649</u>	<u>\$ 2,495,649</u>

NOTE 7: NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - 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
June 30, 2020

NOTE 7: NET POSITION (concluded)

- Restricted net position - consists of net position 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. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports restricted net position.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: 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, 2020, fund balances for governmental funds are made up of the following:

- Nonspendable fund balance - amounts that cannot be spent because they are either (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 and prepaid amounts.
- Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - amounts that can only be used for the specific purposes determined by formal action of the City’s highest level of decision making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance - amounts that are constrained by the City’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- Unassigned fund balance - the residual classification for the City’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8: FUND BALANCES (concluded)

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The City Council adopted the City of Nevada City Fund Balance Policy in 2013. 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 9: PENSION PLAN

A. General Information About the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Safety police, Safety fire, and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the City added retirement tiers for both the Miscellaneous and Safety Rate Tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the City's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety employees hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous First Tier	Miscellaneous members hired before July 1, 2008
Miscellaneous Second Tier	Miscellaneous members hired after July 1, 2008 and before January 1, 2013
Safety First Tier	Safety employees hired before January 1, 2013

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9: PENSION PLAN (continued)

A. General Information About the Pension Plan (concluded)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Benefit Formula	Retirement Age	Monthly Benefits as a % of Eligible Compensation
Miscellaneous First Tier	2.5% @ 55	50-55	2.000% to 2.500%
Miscellaneous Second Tier	2.0% @ 60	50-63	1.462% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	50-62	1.000% to 2.500%
Safety First Tier	3.0% @ 50	50	3.000%
Safety Second Tier	2.0% @ 50	50	2.700%
Safety PEPRA	2.0% @ 57	50-57	1.426% to 2.000%

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Rate Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	Employer Contribution Rates	Employee Contribution Rates	Employer Paid Member Contribution Rates
Miscellaneous First Tier	10.110%	8.000%	4.000%
Miscellaneous Second Tier	7.653%	7.000%	4.000%
Miscellaneous PEPRA	6.533%	6.250%	4.000%
Safety First Tier	19.723%	9.000%	2.500%
Safety Second Tier	13.012%	7.000%	0.000%
Safety PEPRA	9.513%	9.500%	0.000%

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9: PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2020, the contributions recognized as part of pension expense were as follows:

<u>Employer Contributions</u>	
Miscellaneous	\$ 188,053
Safety	\$ 435,135

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,337,753
Safety	<u>2,843,206</u>
Total Net Pension Liability	<u>\$ 5,180,959</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion – June 30, 2018	0.0572%	0.0443%
Proportion – June 30, 2019	<u>0.0584%</u>	<u>0.0455%</u>
Change – Increase/(Decrease)	<u>0.0011%</u>	<u>0.0013%</u>

For the year ended June 30, 2020, the City recognized pension expense of \$425,520. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 623,188	\$ -
Differences between expected and actual experience	348,001	12,577
Changes of assumptions	228,013	62,258
Net differences between projected and actual earnings on plan investments	-	79,982
Change in proportions and differences between actual contributions and proportionate share of contributions	<u>148,223</u>	<u>213,133</u>
Total	<u>\$ 1,347,425</u>	<u>\$ 367,950</u>

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9: PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension
 (continued)

\$623,188 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 332,266
2022	(35,180)
2023	43,332
2024	<u>15,869</u>
Total	<u>\$ 356,287</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9: PENSION PLAN (concluded)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension
 (concluded)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>
Global Equity	49.0%
Global Fixed Income	22.0%
Real Assets	12.0%
Private Equity	8.0%
Inflation Sensitive	6.0%
Liquidity	<u>3.0%</u>
Total	<u>100.0%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 3,450,944	\$ 4,463,966
Current Discount rate	7.15%	7.15%
Net Pension Liability	\$ 2,337,753	\$ 2,843,206
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,418,892	\$ 1,514,436

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10: 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 and one fire district. 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 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 22 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 (the Authority) 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. 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.

City of Nevada City
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10: RISK MANAGEMENT (concluded)

The participants as of June 30, 2018 were as follows:

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

NOTE 11: OTHER INFORMATION

A. Commitments and Contingencies

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.

NOTE 12: SUBSEQUENT EVENT - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the City's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

**Required Supplementary Information
(Unaudited)**

City of Nevada City
 Required Supplementary Information
NOTES TO BUDGETARY COMPARISON SCHEDULES
 For the Year Ended June 30, 2020

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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 and payments which were budgeted as other financing sources and debt service expenditures.

The following procedures are performed by the City in establishing the budgetary data reflected in the financial statements:

- (1) The City Manager 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 Manager may authorize transfers from one object or purpose to another within the same department.

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.

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2020, the City incurred expenditures in excess of appropriations as follows:

	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Measure S	\$ 920,720	\$ 1,043,975	\$ (123,255)

City of Nevada City
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2020
(Unaudited)

	Budgeted Amounts		General Fund	Variance With Final Budget Over (Under)
	Original	Final		
<u>REVENUES</u>				
Property taxes	\$ 1,715,438	\$ 1,679,087	\$ 1,679,647	\$ 560
Sales taxes	1,050,000	1,136,000	1,279,373	143,373
Franchise taxes	165,000	166,500	160,993	(5,507)
Other taxes	661,600	877,800	927,526	49,726
Licenses and permits	149,600	172,455	189,300	16,845
Fines and forfeits	144,000	135,309	144,060	8,751
Intergovernmental	58,400	124,865	155,011	30,146
Use of money and property	107,590	66,445	94,402	27,957
Charges for services	535,200	240,117	239,877	(240)
Other revenues	250,500	256,142	192,059	(64,083)
Total revenues	4,837,328	4,854,720	5,062,248	207,528
<u>EXPENDITURES</u>				
Current:				
General government	887,581	888,944	673,431	215,513
Public safety	2,679,458	2,763,346	2,454,765	308,581
Public works	730,537	726,766	1,249,806	(523,040)
Recreation and culture	476,813	466,910	396,084	70,826
Debt service:				
Principal	64,225	58,389	54,858	3,531
Interest	27,893	18,443	19,884	(1,441)
Total expenditures	4,866,507	4,922,798	4,848,828	73,970
Excess (deficiency) of revenues over expenditures	(29,179)	(68,078)	213,420	281,498
<u>OTHER FINANCING SOURCES (USES)</u>				
Debt proceeds	-	-	223,075	223,075
Transfers in	-	-	-	-
Transfers out	-	-	(8,261)	8,261
Total other financing sources (uses)	-	-	214,814	231,336
Net change in fund balances	\$ (29,179)	\$ (68,078)	428,234	\$ 496,312
Fund balances, beginning of period			2,036,168	
Fund balances, end of period			\$ 2,464,402	

City of Nevada City
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MEASURE S PROJECTS FUND
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Measure S</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Projects Fund</u>	<u>With Final</u>
				<u>Budget</u>
				<u>Over (Under)</u>
<u>REVENUES</u>				
Sales taxes	\$ 622,000	\$ 618,000	\$ 740,611	\$ 122,611
Use of money and property	750	750	-	(750)
Total revenues	<u>622,750</u>	<u>618,750</u>	<u>740,611</u>	<u>121,861</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>840,695</u>	<u>920,720</u>	<u>1,043,975</u>	<u>(123,255)</u>
Total expenditures	<u>840,695</u>	<u>920,720</u>	<u>1,043,975</u>	<u>(123,255)</u>
Excess (deficiency) of				
revenues over expenditures	<u>(217,945)</u>	<u>(301,970)</u>	<u>(303,364)</u>	<u>(1,394)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Debt proceeds	-	-	-	-
Transfers in	-	-	188,348	188,348
Transfers out	<u>-</u>	<u>-</u>	<u>(15,999)</u>	<u>(15,999)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>172,349</u>	<u>172,349</u>
Net change in fund balances	<u>\$ (217,945)</u>	<u>\$ (301,970)</u>	<u>(131,015)</u>	<u>\$ 170,955</u>
Fund balances, beginning of period			<u>146,873</u>	
Fund balances, end of period			<u>\$ 15,858</u>	

City of Nevada City
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MEASURE C PROJECTS FUND
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budgeted Amounts</u>		Measure C	Variance
	<u>Original</u>	<u>Final</u>	Projects Fund	With Final Budget Over (Under)
<u>REVENUES</u>				
Taxes and assessments	\$ 457,000	\$ 462,000	\$ 553,969	\$ 91,969
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>1,990</u>	<u>990</u>
Total revenues	<u>458,000</u>	<u>463,000</u>	<u>555,959</u>	<u>92,959</u>
<u>EXPENDITURES</u>				
Current:				
Public safety	427,690	487,821	482,066	5,755
Debt service:				
Principal	40,000	33,410	33,410	-
Interest	<u>15,000</u>	<u>16,235</u>	<u>16,235</u>	<u>-</u>
Total expenditures	<u>482,690</u>	<u>537,466</u>	<u>531,711</u>	<u>5,755</u>
Excess (deficiency) of revenues over expenditures	<u>(24,690)</u>	<u>(74,466)</u>	<u>24,248</u>	<u>98,714</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Debt proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (24,690)</u>	<u>\$ (74,466)</u>	24,248	<u>\$ 98,714</u>
Fund balances, beginning of period			<u>259,043</u>	
Fund balances, end of period			<u>\$ 283,291</u>	

City of Nevada City
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CMAQ STREETS AND ROAD FUND
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budgeted Amounts</u>		CMAQ Streets and Roads Fund	Variance
	<u>Original</u>	<u>Final</u>		With Final Budget Over (Under)
<u>REVENUES</u>				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 13,374	\$ (126,626)
Use of money and property	-	-	-	-
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>13,374</u>	<u>(126,626)</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>140,000</u>	<u>140,000</u>	<u>18,495</u>	<u>121,505</u>
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>18,495</u>	<u>121,505</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(5,121)</u>	<u>(5,121)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Debt proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(5,121)	<u>\$ (5,121)</u>
Fund balances, beginning of period			<u>(41,534)</u>	
Fund balances, end of period			<u>\$ (46,655)</u>	

City of Nevada City
Required Supplementary Information
City Pension Plan
SCHEDULE OF PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

June 30, 2020

Last 6 years*

Measurement Date, June 30	Miscellaneous					
	2014	2015	2016	2017	2018	2019
Proportion of the net pension liability	0.01804%	0.02177%	0.02167%	0.02198%	0.04425%	0.02281%
Proportionate share of the net pension liability	\$ 1,122,916	\$ 1,493,988	\$ 1,875,107	\$ 2,180,065	\$ 2,596,496	\$ 2,337,753
Covered - employee payroll	\$ 862,176	\$ 862,176	\$ 995,977	\$ 1,099,996	\$ 886,369	\$ 1,100,287
Proportionate share of the net pension liability as percentage of covered-employee payroll	130.24%	173.28%	188.27%	198.19%	292.94%	212.47%
Plan fiduciary net position as a percentage of the total pension liability	83.03%	77.85%	72.83%	72.41%	75.32%	71.75%
	Safety					
Measurement Date, June 30	2014	2015	2016	2017	2018	2019
Proportion of the net pension liability	0.02352%	0.02492%	0.02544%	0.002586%	0.02239%	0.04555%
Proportionate share of the net pension liability	\$ 1,463,261	\$ 1,710,177	\$ 2,201,448	\$ 2,564,126	\$ 2,157,391	\$ 2,843,206
Covered - employee payroll	\$ 768,634	\$ 768,634	\$ 862,620	\$ 1,093,546	\$ 1,028,548	\$ 1,052,401
Proportionate share of the net pension liability as percentage of covered-employee payroll	190.37%	222.50%	255.20%	234.48%	209.75%	270.16%
Plan fiduciary net position as a percentage of the total pension liability	81.42%	79.35%	74.23%	73.83%	72.59%	75.96%

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only six years are shown.

City of Nevada City
Required Supplementary Information
City Pension Plan
SCHEDULE OF CONTRIBUTIONS
June 30, 2020
Last 6 Years*

<u>Fiscal Year Ending June 30</u>	Miscellaneous					
	2014	2015	2016	2017	2018	2019
Contractually required contribution (actuarially determined)	\$ 181,437	\$ 97,496	\$ 90,566	\$ 81,318	\$ 158,636	\$ 188,053
Contributions in relation to the actuarially determined contributions	<u>(181,437)</u>	<u>(166,038)</u>	<u>(169,811)</u>	<u>(179,516)</u>	<u>(158,636)</u>	<u>(188,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (68,542)</u>	<u>\$ (79,245)</u>	<u>\$ (98,198)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered - employee payroll	 \$ 862,176	 \$ 995,977	 \$ 1,099,996	 \$ 1,027,277	 \$ 854,427	 \$ 1,157,026
 Contributions as a percentage of covered-employee payroll	 21.04%	 9.79%	 8.23%	 7.92%	 18.57%	 16.25%
percentage of covered-employee payroll						
<u>Fiscal Year Ending June 30</u>	Safety					
	2014	2015	2016	2017	2018	2019
Contractually required contribution (actuarially determined)	\$ 215,552	\$ 168,034	\$ 178,728	\$ 185,339	\$ 313,878	\$ 435,135
Contributions in relation to the actuarially determined contributions	<u>(215,552)</u>	<u>(236,825)</u>	<u>(261,455)</u>	<u>(292,094)</u>	<u>(313,878)</u>	<u>(435,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (68,791)</u>	<u>\$ (82,727)</u>	<u>\$ (106,755)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered - employee payroll	 \$ 768,634	 \$ 862,620	 \$ 1,093,546	 \$ 1,144,360	 \$ 1,052,401	 \$ 1,130,030
 Contributions as a percentage of covered-employee payroll	 28.04%	 19.48%	 16.34%	 16.20%	 29.82%	 38.51%
percentage of covered-employee payroll						

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes of Assumptions: There were no changes of assumptions.

* The City implemented GASB 68 for fiscal year June 30, 2015, therefore only six years are shown.

Combining Nonmajor Fund Statements

City of Nevada City
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds												Subtotal Nonmajor Governmental Funds	
	AB 1600	P& R Quimby	Donation Project	Nevada Main Project	Gas Tax Streets	Fund 212	Fund 213	Traffic Relief	Traffic Mitigation	FEMA	Indian Trails	Fund 224		Little Creek
<u>ASSETS</u>														
Cash and investments	\$ 100,258	\$ 307	\$ (865)	\$ (112,595)	\$ 207,200	\$ (34,000)	\$ (86,000)	\$ 10,879	\$ 21,882	\$ (15,962)	\$ 45,639	\$ 25,020	\$ (6,107)	\$ 155,656
Interest receivable	780	3	109	-	2,280	-	-	101	79	-	506	-	-	3,858
Accounts receivable	-	-	3,959	-	-	-	-	-	-	-	-	-	-	3,959
Taxes receivable	-	-	-	-	9,654	-	-	-	-	-	-	-	-	9,654
Due from other governments	-	-	-	99,422	-	34,000	86,000	-	-	68,173	-	-	24,260	311,855
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 101,038</u>	<u>\$ 310</u>	<u>\$ 3,203</u>	<u>\$ (13,173)</u>	<u>\$ 219,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,980</u>	<u>\$ 21,961</u>	<u>\$ 52,211</u>	<u>\$ 46,145</u>	<u>\$ 25,020</u>	<u>\$ 18,153</u>	<u>\$ 484,982</u>
<u>LIABILITIES AND FUND BALANCES</u>														
Liabilities:														
Accounts payable	\$ -	\$ -	\$ -	\$ 9,026	\$ -	\$ -	\$ -	\$ -	\$ 21,861	\$ -	\$ -	\$ -	\$ -	\$ 30,887
Unearned income	-	-	-	99,422	-	34,000	86,000	-	-	68,173	-	-	24,260	311,855
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,448</u>	<u>-</u>	<u>34,000</u>	<u>86,000</u>	<u>-</u>	<u>21,861</u>	<u>68,173</u>	<u>-</u>	<u>-</u>	<u>24,260</u>	<u>342,742</u>
Fund balances:														
Assigned	101,038	310	3,203	-	219,134	-	-	10,980	100	-	46,145	25,020	-	405,930
Unassigned	-	-	-	(121,621)	-	(34,000)	(86,000)	-	-	(15,962)	-	-	(6,107)	(263,690)
Total fund balances	<u>101,038</u>	<u>310</u>	<u>3,203</u>	<u>(121,621)</u>	<u>219,134</u>	<u>(34,000)</u>	<u>(86,000)</u>	<u>10,980</u>	<u>100</u>	<u>(15,962)</u>	<u>46,145</u>	<u>25,020</u>	<u>(6,107)</u>	<u>142,240</u>
Total liabilities and fund balances	<u>\$ 101,038</u>	<u>\$ 310</u>	<u>\$ 3,203</u>	<u>\$ (13,173)</u>	<u>\$ 219,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,980</u>	<u>\$ 21,961</u>	<u>\$ 52,211</u>	<u>\$ 46,145</u>	<u>\$ 25,020</u>	<u>\$ 18,153</u>	<u>\$ 484,982</u>

City of Nevada City
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	Fund 222	Brownsfield 10	Tas Fire Dept.	NC Recreation	CDBG Enterprise	Prop 172	MATHIVET	SLESF	Measure L	Bicentennial	Becker	Page 1 Subtotal Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>													
Cash and investments	\$ 224,490	\$ 1,679	\$ -	\$ -	\$ (215,279)	\$ 56,481	\$ 11,671	\$ 22	\$ -	\$ 2,401	\$ 18,791	\$ 155,656	\$ 255,912
Interest receivable	-	-	-	-	-	884	119	505	521	-	205	3,858	6,092
Accounts receivable	-	294	-	-	-	-	-	-	-	-	-	3,959	4,253
Taxes receivable	-	-	1,684	-	-	-	-	-	-	-	-	9,654	14,579
Due from other governments	-	8,467	-	-	200,000	8,483	-	25,000	-	-	-	311,855	553,805
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	17,633	-	-	-	-	-	-	-	17,633
Total Assets	\$ 224,490	\$ 10,440	\$ 1,684	\$ -	\$ 2,354	\$ 65,848	\$ 11,790	\$ 25,527	\$ 521	\$ 2,401	\$ 18,996	\$ 484,982	\$ 852,274
<u>LIABILITIES AND FUND BALANCES</u>													
Liabilities:													
Accounts payable	\$ -	\$ 1,116	\$ -	\$ -	\$ -	\$ 12,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,887	\$ 44,832
Unearned income	-	-	-	-	217,633	-	-	-	-	-	-	311,855	529,488
Total Liabilities	-	1,116	-	-	217,633	12,829	-	-	-	-	-	342,742	574,320
Fund balances:													
Assigned	224,490	9,324	1,684	-	-	53,019	11,790	25,527	521	2,401	18,996	405,930	756,923
Unassigned	-	-	-	-	(215,279)	-	-	-	-	-	-	(263,690)	(478,969)
Total fund balances	224,490	9,324	1,684	-	(215,279)	53,019	11,790	25,527	521	2,401	18,996	142,240	277,954
Total liabilities and fund balances	\$ 224,490	\$ 10,440	\$ 1,684	\$ -	\$ 2,354	\$ 65,848	\$ 11,790	\$ 25,527	\$ 521	\$ 2,401	\$ 18,996	\$ 484,982	\$ 852,274

City of Nevada City
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds											Subtotal Nonmajor Governmental Funds	
	AB 1600	P& R Quimby	Donation Project	Nevada Main Project	Gas Tax Streets	Fund 212	Fund 213	Traffic Relief	Regional Traffic Mitigation	FEMA	Indian Trails		Fund 224
Revenues:													
Taxes and assessments	\$ 38,414	\$ -	\$ -	\$ -	\$ 135,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,435
Intergovernmental	-	-	-	149,539	-	-	-	-	-	-	-	-	149,539
Other revenues	-	-	675	-	-	-	-	-	21,861	-	-	-	22,536
Charges for services	-	-	-	-	-	-	-	3,510	-	-	-	-	3,510
Use of money and property	945	4	139	-	2,773	-	-	123	86	-	627	-	4,697
Total revenues	39,359	4	814	149,539	137,794	-	-	3,633	21,947	-	627	-	353,717
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	22,462	117,555	19,707	-	-	-	21,861	-	943	-	182,528
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	22,462	117,555	19,707	-	-	-	21,861	-	943	-	182,528
Excess (deficiency) of revenues over expenditures	39,359	4	(21,648)	31,984	118,087	-	-	3,633	86	-	(316)	-	171,189
Other financing sources (uses):													
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	15,999	-	-	-	-	-	-	-	-	15,999
Transfers out	-	-	-	-	(68,348)	(34,000)	(86,000)	-	-	-	-	-	(188,348)
Total other financing sources (uses)	-	-	-	15,999	(68,348)	(34,000)	(86,000)	-	-	-	-	-	(172,349)
Net change in fund balances	39,359	4	(21,648)	47,983	49,739	(34,000)	(86,000)	3,633	86	-	(316)	-	(1,160)
Fund balances, July 1	61,679	306	24,851	(169,604)	169,395	-	-	7,347	14	(15,962)	46,461	25,020	149,507
Fund balances, June 30	\$ 101,038	\$ 310	\$ 3,203	\$ (121,621)	\$ 219,134	\$ (34,000)	\$ (86,000)	\$ 10,980	\$ 100	\$ (15,962)	\$ 46,145	\$ 25,020	\$ 148,347

City of Nevada City
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	CalFire Grant	Little Creek	Fund 222	Brownsfield 10	Tas Fire Dept.	2003 Fire Tax	NC Recreation	CDBG Enterprise	Prop 172	MATHHIVET	SLESF	Measure L	Bicentennial	Becker	Page 1 Subtotal Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Revenues:																
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 33,679	\$ 64,812	\$ -	\$ -	\$ 40,015	\$ -	\$ 125,000	\$ 2,225	\$ -	\$ -	\$ 173,435	\$ 439,166
Intergovernmental	-	108,009	225,000	16,281	-	-	-	-	-	-	-	-	-	-	149,539	498,829
Other revenues	-	-	-	-	-	-	-	-	-	850	-	-	6,000	-	22,536	29,386
Charges for services	-	-	-	-	-	-	-	12,623	-	-	-	-	-	-	3,510	16,133
Use of money and property	-	-	-	-	-	-	-	-	1,101	148	569	710	-	255	4,697	7,480
Total revenues	-	108,009	225,000	16,281	33,679	64,812	-	12,623	41,116	998	125,569	2,935	6,000	255	353,717	990,994
Expenditures:																
Current:																
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	33,678	64,810	-	-	155,690	750	100,209	-	-	-	-	355,137
Public works	-	-	510	8,173	-	-	-	200,000	-	-	-	90,424	5,675	-	182,528	487,310
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:																
Principal	-	-	-	-	-	-	-	-	27,791	-	-	-	-	-	-	27,791
Interest	-	-	-	-	-	-	-	-	14,866	-	-	-	-	-	-	14,866
Total expenditures	-	-	510	8,173	33,678	64,810	-	200,000	198,347	750	100,209	90,424	5,675	-	182,528	885,104
Excess (deficiency) of revenues over expenditures	-	108,009	224,490	8,108	1	2	-	(187,377)	(157,231)	248	25,360	(87,489)	325	255	171,189	105,890
Other financing sources (uses):																
Debt proceeds	-	-	-	-	-	-	-	-	103,149	-	-	-	-	-	-	103,149
Transfers in	-	-	-	-	-	-	-	-	-	-	-	8,261	-	-	15,999	24,260
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(188,348)	(188,348)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	103,149	-	-	8,261	-	-	(172,349)	(60,939)
Net change in fund balances	-	108,009	224,490	8,108	1	2	-	(187,377)	(54,082)	248	25,360	(79,228)	325	255	(1,160)	44,951
Fund balances, July 1	-	(114,116)	-	1,216	1,683	3,239	-	(27,902)	107,101	11,542	167	79,749	2,076	18,741	149,507	233,003
Fund balances, June 30	\$ -	\$ (6,107)	\$ 224,490	\$ 9,324	\$ 1,684	\$ 3,241	\$ -	\$ (215,279)	\$ 53,019	\$ 11,790	\$ 25,527	\$ 521	\$ 2,401	\$ 18,996	\$ 148,347	\$ 277,954

Other Report

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

To the Honorable Members
of the City Council
City of Nevada City
Nevada City, California

We have audited the basic financial statements of City of Nevada City as of and for the year ended June 30, 2020, and have issued our report thereon dated January 25, 2021. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Nevada City's internal control over financial reporting as a basis for designing our auditing procedures, for the purpose of expressing our opinion on City of Nevada City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nevada City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Nevada City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 25, 2021