

CITY OF SUTTER CREEK, CALIFORNIA
Audited Financial Statements and Supplemental Information
June 30, 2014

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CITY OF SUTTER CREEK, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sutter Creek, 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 the City of Sutter Creek, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

To the City Council
City of Sutter Creek, California

Basis for Qualified Opinion on Governmental Activities

As discussed in Note A, accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost. The City has identified and recorded its governmental capital assets at current replacement cost or current estimated values instead of recording them at historical cost. In addition, the City has recorded only recently completed infrastructure projects but is required to record infrastructure projects prospectively beginning July 1, 2003. The City also has not considered donated assets, such as developer constructed assets deeded to the City in the amounts recorded as capital assets. The amount by which these departures would affect the assets, net assets, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Governmental Activities” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of Sutter Creek as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

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

Emphasis of Matter Regarding Financial Difficulties

As discussed in Note L to the financial statements, the City has suffered recurring losses in its General Fund in past years that has resulted in a deficit fund balance in the General Fund and transfers from other funds to reduce the negative fund balance. Management’s plans regarding those matters also are described in Note L. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 12 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.

To the City Council
City of Sutter Creek, California

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sutter Creek, California financial statements. The combining and individual nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Richardson & Company, LLP

September 25, 2015

BASIC FINANCIAL STATEMENTS

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CITY OF SUTTER CREEK

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,213,962	\$ 667,719	\$ 1,881,681
Accounts receivable, net of allowance for doubtful accounts	116,667	91,340	208,007
Interest receivable	370	65	435
Due from other government agencies	509,470	151,728	661,198
Internal balances	(7,720)	7,720	
Total current assets	<u>1,832,749</u>	<u>918,572</u>	<u>2,751,321</u>
Noncurrent assets:			
Due from other government agencies - long-term		297,113	297,113
Capital assets, net of accumulated depreciation			
Non-depreciable	5,102,360	621,362	5,723,722
Depreciable	1,446,597	1,556,229	3,002,826
	<u>6,548,957</u>	<u>2,474,704</u>	<u>9,023,661</u>
Total assets	<u>8,381,706</u>	<u>3,393,276</u>	<u>11,774,982</u>
LIABILITIES			
Current liabilities:			
Accounts payable	110,747	36,055	146,802
Accrued liabilities	72,401	30,335	102,736
Interest payable		70,361	70,361
Deposits payable	23,084	2,947	26,031
Due to other governments	4,476		4,476
Retentions payable	251		251
Unearned revenue	42,771		42,771
Current portion of long-term liabilities	23,280	20,047	43,327
Total current liabilities	<u>277,010</u>	<u>159,745</u>	<u>436,755</u>
Long-term liabilities:			
OPEB liability	6,338	1,486	7,824
Notes payable		1,063,000	1,063,000
Compensated absences	7,735	1,105	8,840
Total long-term liabilities	<u>14,073</u>	<u>1,065,591</u>	<u>1,079,664</u>
Total liabilities	<u>291,083</u>	<u>1,225,336</u>	<u>1,516,419</u>
NET POSITION			
Net investment in capital assets	6,548,957	1,548,591	8,097,548
Restricted for street and bridge projects	1,069,971		1,069,971
Restricted for other purposes	68,667		68,667
Unrestricted net position	403,028	619,349	1,022,377
Total net assets	<u>\$ 8,090,623</u>	<u>\$ 2,167,940</u>	<u>\$ 10,258,563</u>

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

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CITY OF SUTTER CREEK

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Program Revenues				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
General government and administrative services	\$ 145,761	\$ 106,880			\$ (38,881)		\$ (38,881)
Public safety	995,583	20,809	\$ 231,754		(743,020)		(743,020)
Culture and recreation	117,027	43,542			(73,485)		(73,485)
Public works	361,704	14,208		\$ 473,499	126,003		126,003
Community development	73,500				(73,500)		(73,500)
Depreciation	75,701				(75,701)		(75,701)
Total governmental activities	<u>1,769,276</u>	<u>185,439</u>	<u>231,754</u>	<u>473,499</u>	<u>(878,584)</u>		<u>(802,883)</u>
Business-type activities:							
Wastewater	1,442,274	1,440,891				\$ (1,383)	(1,383)
Interest on long-term debt	28,962					(28,962)	(28,962)
Total business-type activities	<u>1,471,236</u>	<u>1,440,891</u>				<u>(30,345)</u>	<u>(30,345)</u>
Total government	<u>\$ 3,240,512</u>	<u>\$ 1,626,330</u>	<u>\$ 231,754</u>	<u>\$ 473,499</u>	<u>(878,584)</u>	<u>(30,345)</u>	<u>(833,228)</u>
General revenues							
Taxes:							
Property taxes					675,428		675,428
Sales and use taxes					246,245		246,245
Transient occupancy tax					155,668		155,668
Franchise tax					81,415		81,415
Gas taxes					87,757		87,757
Motor vehicle in-lieu					23,510		23,510
Investment income					1,987	751	2,738
Rental income					6,450		6,450
Transportation impact fees					7,404		7,404
Miscellaneous					66,589		66,589
Total general revenues					<u>1,352,453</u>	<u>751</u>	<u>1,353,204</u>
Changes in net assets					473,869	(29,594)	444,275
Net position - beginning					<u>7,616,754</u>	<u>2,197,534</u>	<u>9,814,288</u>
Net position - ending					<u>\$ 8,090,623</u>	<u>\$ 2,167,940</u>	<u>\$ 10,258,563</u>

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

CITY OF SUTTER CREEK

BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2014

	Major Funds				
	General Fund	Reserve Fund	Traffic Mitigation Fund	Central Eureka Mine Project Fund	Sutter Creek Bridge Replacement Fund
ASSETS					
Cash and cash equivalents	\$ 6,561	\$ 411,055	\$ 216,433		\$ 208,964
Accounts receivable, net of allowance for doubtful accounts	116,035				
Due from other governmental agencies	94,820	64,951	149,255		93,235
Interest receivable	219	65	24		15
Due from other funds	67,154	225,700			
TOTAL ASSETS	\$ 284,789	\$ 701,771	\$ 365,712	\$ -	\$ 302,214
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 54,687			\$ 580	\$ 18,120
Accrued liabilities	64,306				
Compensated absence liability	6,027				
Retentions payable	251				
Due to other funds	175,398			48,253	
Due to other governments	192				
Unearned revenue					
Deposits payable	23,071				
TOTAL LIABILITIES	323,932			48,833	18,120
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	46,935				93,235
TOTAL DEFERRED INFLOW OF RESOURCES	46,935				93,235
FUND BALANCES					
Nonspendable					
Restricted			\$ 365,712		190,859
Committed					
Assigned		\$ 701,771			
Unassigned	(86,078)			(48,833)	
TOTAL FUND BALANCES	(86,078)	701,771	365,712	(48,833)	190,859
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 284,789	\$ 701,771	\$ 365,712	\$ -	\$ 302,214

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 370,949	\$ 1,213,962
632	116,667
107,209	509,470
47	370
	292,854
\$ 478,837	\$ 2,133,323

\$ 11,915	\$ 85,302
812	65,118
	6,027
	251
69,203	292,854
4,284	4,476
42,771	42,771
13	23,084
128,998	519,883

18,724	158,894
18,724	158,894

352,846	909,417
8,718	8,718
	701,771
(30,449)	(165,360)
331,115	1,454,546

\$ 478,837	\$ 2,133,323
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CITY OF SUTTER CREEK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2014

Total Governmental Fund Balances	\$ 1,454,546
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position	6,548,957
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	158,894
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Compensated absences	(15,470)
Other post-employment benefits	(6,338)
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the government-wide statement of net assets.	<u>(49,966)</u>
Net Position of Governmental Activities	<u><u>\$ 8,090,623</u></u>

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

CITY OF SUTTER CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	Major Funds				
	General Fund	Reserve Fund	Traffic Mitigation Fund	Central Eureka Mine Project Fund	Sutter Creek Bridge Replacement Fund
REVENUES					
Taxes and assessments	\$ 1,143,754				
Licenses and permits	94,622				
Fines and penalties	12,610				
Interest and investment income	542	\$ 563	\$ 238		\$ 136
Intergovernmental revenues	140,672			\$ 215,214	88,080
Charges for services	45,230		14,786		
Other revenue	73,097		3,878		
TOTAL REVENUES	<u>1,510,527</u>	<u>563</u>	<u>18,902</u>	<u>215,214</u>	<u>88,216</u>
EXPENDITURES					
General government and administration	154,408				
Public safety	955,099				
Public works and facilities	251,897		7,500	579	18,121
Community development	72,959				
Cultural and recreation	93,974				
Capital outlay	11,485			259,887	153,757
TOTAL EXPENDITURES	<u>1,539,822</u>		<u>7,500</u>	<u>260,466</u>	<u>171,878</u>
NET CHANGE IN FUND BALANCES	(29,295)	563	11,402	(45,252)	(83,662)
Fund balances, beginning of year	<u>(56,783)</u>	<u>701,208</u>	<u>354,310</u>	<u>(3,581)</u>	<u>274,521</u>
FUND BALANCES, END OF YEAR	<u>\$ (86,078)</u>	<u>\$ 701,771</u>	<u>\$ 365,712</u>	<u>\$ (48,833)</u>	<u>\$ 190,859</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 87,757	\$ 1,231,511
	94,622
	12,610
508	1,987
128,015	571,981
24,217	84,233
(13)	76,962
<u>240,484</u>	<u>2,073,906</u>
45	154,453
61,646	1,016,745
83,574	361,671
531	73,490
23,053	117,027
151,935	577,064
<u>320,784</u>	<u>2,300,450</u>
(80,300)	(226,544)
<u>411,415</u>	<u>1,681,090</u>
<u>\$ 331,115</u>	<u>\$ 1,454,546</u>

CITY OF SUTTER CREEK

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (226,544)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Depreciation	(75,701)
Capital outlay	607,862
Capital contributions	109,167
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities.	
Deferred revenue recognized	60,117
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Compensated absences	8,668
Other post-employment benefits	(165)
Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	
	<u>(9,535)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 473,869</u></u>

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

CITY OF SUTTER CREEK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Taxes	\$ 1,243,022	\$ 1,243,022	\$ 1,143,754	\$ (99,268)
Licenses and permits	56,000	56,000	94,622	38,622
Fines and penalties	10,000	10,000	12,610	2,610
Interest and investment income	5,000	5,000	542	(4,458)
Intergovernmental	150,000	150,000	140,672	(9,328)
Charges for services	80,400	80,400	45,230	(35,170)
Other revenue	11,000	11,000	73,097	62,097
TOTAL REVENUES	1,555,422	1,555,422	1,510,527	(44,895)
EXPENDITURES				
Current:				
General government and administration	165,487	165,487	154,408	11,079
Public safety	927,245	927,245	955,099	(27,854)
Public works and facilities	198,282	198,282	251,897	(53,615)
Community development	67,550	67,550	72,959	(5,409)
Culture and recreation	95,981	95,981	93,974	2,007
Capital outlay			11,485	(11,485)
TOTAL EXPENDITURES	1,454,545	1,454,545	1,539,822	(73,792)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,877	100,877	(29,295)	(118,687)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	8,000		(8,000)
Transfers out				
TOTAL OTHER FINANCING USES	8,000	8,000		(8,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	108,877	108,877	(29,295)	(138,172)
Fund balances, beginning of year	(56,783)	(56,783)	(56,783)	
FUND BALANCES, END OF YEAR	\$ 52,094	\$ 52,094	\$ (86,078)	\$ (138,172)

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

CITY OF SUTTER CREEK

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

As of June 30, 2014

	Major Enterprise Fund	Non-major Enterprise Fund	Total Enterprise Funds	Governmental Activities Internal Service Fund
	Wastewater Fund	Noble Ranch Golf Fund		
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 667,719		\$ 667,719	
Accounts receivable, net	91,340		91,340	
Interest receivable	65		65	
Due from other governments	151,728		151,728	
TOTAL CURRENT ASSETS	<u>910,852</u>		<u>910,852</u>	
NONCURRENT ASSETS				
Due from other governments - long-term	297,113		297,113	
Capital assets:				
Nondepreciable	596,362	\$ 25,000	621,362	
Depreciable	1,556,229		1,556,229	
TOTAL NONCURRENT ASSETS	<u>2,449,704</u>	<u>25,000</u>	<u>2,474,704</u>	
TOTAL ASSETS	<u>3,360,556</u>	<u>25,000</u>	<u>3,385,556</u>	
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	36,055		36,055	\$ 25,445
Accrued liabilities	30,335		30,335	16,801
Interest payable	70,361		70,361	
Deposits payable	2,947		2,947	
Current portion of long-term liabilities	20,047		20,047	
TOTAL CURRENT LIABILITIES	<u>159,745</u>		<u>159,745</u>	<u>42,246</u>
NONCURRENT LIABILITIES				
OPEB liability	1,486		1,486	
Long-term debt, due in more than one year	1,063,000		1,063,000	
Compensated absences	1,105		1,105	
TOTAL NONCURRENT LIABILITIES	<u>1,065,591</u>		<u>1,065,591</u>	
TOTAL LIABILITIES	<u>1,225,336</u>		<u>1,225,336</u>	<u>42,246</u>
NET ASSETS				
Net investment in capital assets	1,523,591	25,000	1,548,591	
Unrestricted	611,629		611,629	(42,246)
TOTAL NET ASSETS	<u>\$ 2,135,220</u>	<u>\$ 25,000</u>	<u>2,160,220</u>	<u>\$ (42,246)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>7,720</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 2,167,940</u>	

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

CITY OF SUTTER CREEK

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES - PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Major Enterprise Fund	Non-major Enterprise Fund	Total Enterprise Funds	Governmental Activities Internal Service Fund
	Wastewater Fund	Noble Ranch Golf Fund		
OPERATING REVENUES				
Service charges	\$ 1,447,247		\$ 1,447,247	\$ 512,355
TOTAL OPERATING REVENUES	1,447,247		1,447,247	512,355
Salaries and benefits	257,434		257,434	195,704
Operation and maintenance	1,092,999		1,092,999	332,553
Depreciation	91,841		91,841	
TOTAL OPERATING EXPENSES	1,442,274		1,442,274	528,257
OPERATING INCOME (LOSS)	4,973		4,973	(15,902)
NONOPERATING REVENUES (EXPENSES)				
Interest income	751		751	11
Interest expense	(28,962)		(28,962)	
TOTAL NONOPERATING REVENUES (EXPENSES)	(28,211)		(28,211)	11
CHANGE IN NET ASSETS	(23,238)		(23,238)	(15,891)
Net assets, beginning year	2,158,458	\$ 25,000	2,183,458	(26,355)
NET ASSETS, END OF YEAR	\$ 2,135,220	\$ 25,000	\$ 2,160,220	\$ (42,246)
Change in net assets			\$ (23,238)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(6,356)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ (29,594)	

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

CITY OF SUTTER CREEK

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Major Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Wastewater Fund</u>	<u> </u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,555,868	\$ 512,355
Cash paid to suppliers	(1,070,208)	(322,562)
Cash paid to employees and related benefits	(264,567)	(195,704)
Cash provided by operating activities	<u>221,093</u>	<u>(5,911)</u>
Cash Flows from Capital and Related Financing Activities		
Debt principal paid	(15,000)	
Interest paid	(28,962)	
Cash used for capital and related financing activities	<u>(43,962)</u>	
Cash Flows from Investing Activities		
Interest received	<u>751</u>	<u>11</u>
Increase in cash and cash equivalents	177,882	(5,900)
Cash and cash equivalents, beginning of year	<u>489,837</u>	<u>5,900</u>
Cash and cash equivalents, end of year	<u>\$ 667,719</u>	<u>\$ -</u>
Reconciliation of operating income from operations to cash provided by operating activities:		
Operating income	\$ 4,973	\$ (15,902)
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	91,841	
Provision for bad debts	20,490	
(Increase) decrease in assets:		
Accounts receivable	(8,320)	
Due from other governments	96,451	
(Decrease) increase in liabilities:		
Accounts payable	8,552	(989)
Accrued expenses	14,239	10,980
OPEB	38	
Accrued compensated absences	(7,171)	
Cash provided by operating activities	<u>\$ 221,093</u>	<u>\$ (5,911)</u>

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

CITY OF SUTTER CREEK
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS

As of June 30, 2014

	Agency Funds
ASSETS	
Cash and investments	\$ 48,079
Due from other governments	7,093
TOTAL ASSETS	\$ 55,172
 LIABILITIES	
Accounts payable	\$ 4,640
Due to other governments	44,724
Other accrued liabilities	5,808
TOTAL LIABILITIES	\$ 55,172

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sutter Creek was incorporated in 1913, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Sutter Creek, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements. In addition the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a city council that passes laws and determines broad policies. The Council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

Government-wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of grant-related government voluntary nonexchange revenue. The City considers grant related government voluntary nonexchange revenues to be available if they are collected within 365 days of the end of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as unearned revenue.

The City reports the following major governmental funds:

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

Reserve Fund – The Reserve Fund (previously the Bypass Relinquishment Fund) represents funds set aside by the City Council to be used as determined by the City Council.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Traffic Mitigation Fund – The Traffic Mitigation Fund is the collection and expenditure of developer fees used for Traffic Mitigation.

Central Eureka Mine Fund – The Central Eureka Fund is used to account for the environmental cleanup of the Central Eureka Mine.

Sutter Creek Bridge Replacement Fund – The Sutter Creek Bridge Replacement Fund is used to account for the planning and construction of improvements to the Sutter Creek Main Street bridge.

The City reports the following major enterprise fund:

Wastewater Fund – The Wastewater Operations Fund is used to account for sewer collection system and pollution control plant operations including major repair and replacement of the City's pollution control plant facilities.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds are used to account for the financing of services provided by one city department to other departments on a cost reimbursement basis.

Fiduciary Funds

Agency Funds – Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

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 principle operating revenues of the City's enterprise funds and internal service funds are charges to customers or other funds for sales and

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

Receivables and Payables: Property, sales, use, franchise, gas and transient occupancy taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 90 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred if received within 365 days of year-end. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible.

Transactions between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year 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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Eliminations have not been made between or within the fund types.

The City has provided an allowance for doubtful accounts of \$90,359 at June 30, 2014 primarily related to its wastewater operations estimated by the City to be uncollectible.

Property Taxes: The County of Amador (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 90 days after year end. Secured property taxes are levied on or before January 1 of each year. They become a lien on real property on January 1. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term "unsecured" refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan," as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These taxes are accrued as intergovernmental receivables only if they are received from the County within 90 days after year end for the governmental funds and are accrued when earned for government-wide presentation regardless of the timing of the related cash flows.

Capital Assets: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are to be reflected as expenditure in the governmental fund, and the related assets are to be reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are to be recorded at their estimated fair market value on the date donated. At June 30, 2014, the City had not recorded donated assets.

Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are required to be capitalized prospectively beginning July 1, 2003. Developer constructed assets deeded to the City and certain infrastructure projects may not be included.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the additions to capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Wastewater facilities and treatment plant	25 to 50 years
Machinery and equipment	5 to 20 years

It is the policy of the City to capitalize all land, buildings, improvements, equipment, and infrastructure assets, except assets costing less than \$5,000. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the amounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Unearned and Unavailable Revenues: Unearned revenues arise when resources are received by the City before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. Revenues considered unavailable because they were not received in the availability period are recognized for the government-wide presentation.

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time off and administrative leave. Vacation is accrued when incurred in the government-wide presentation and in the proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts. The General Fund and Wastewater Fund are used to liquidate compensated absences.

Long-term Obligations: Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise pre-paid items and long-term receivables. The City does not have any nonspendable funds.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the City Council modifies, or removes the fund balance commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the City's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

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

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

The City Council establishes, modified or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts. The City does not use encumbrance accounting.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations:

Fund	Appropriations	Total Expenditures	Excess Expenditures
General Fund	\$ 1,454,545	\$ 1,539,822	\$ (85,277)
Major Special Revenue Fund:			
Traffic Mitigation Fund		7,500	(7,500)
Central Eureka Mine Project Fund		260,466	(260,466)
Sutter Creek Bridge Replacement Fund		171,878	(171,878)
Nonmajor Special Revenue Funds:			
Traffic Enhancement Activity Fund		41,436	(41,436)
Gas Tax Fund		76,197	(76,197)
Crestview Lighting District Fund		601	(601)
Local Transportation Commission Fund		297	(297)
Cemetery Fund		7,010	(7,010)
Badger Street Bridge Fund		92,417	(92,417)
SB 621 Gaming Grant		56,246	(56,246)
Police Grants Fund		5,400	(5,400)
HOME Grant Fund		3	(3)
Community Center Grant Fund		23,053	(23,053)
Traffic Congestion Fund		42	(42)
Nonmajor Capital Projects Funds:			
Prospect Bowers Fund		18,082	(18,082)

Deficit Fund Equity: The following funds have fund deficits at June 30, 2014:

Fund	Deficit
General Fund	\$ 86,078
Central Eureka Mine Project Fund	48,833
Nonmajor Special Revenue Funds:	
Plymouth Pipeline Fund	13
Badger Street Bridge Grant Fund	6,109
SB 621 Gaming Grant	11,322
Community Center Grant Fund	4,284
Nonmajor Capital Projects Funds:	
Prospect Bowers Fund	8,721

The deficits of these Funds, except for the General Fund, are anticipated to be eliminated with additional intergovernmental revenues. See Note L for additional information on the General Fund deficit.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements Effective in Future Accounting Periods: In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the PERS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for the City's June 30, 2015 financial statements. The City is currently evaluating the effect of this new pronouncement.

In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of measurement date no earlier than the end of its prior fiscal year. This Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. This Statement is required to be implemented simultaneously with Statement No. 68.

In February 2015, the GASB approved Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and will require additional disclosures about assets and liabilities measured at fair value. This Statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)", replaces the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended June 30, 2018.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2014, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,213,962	\$ 667,719	\$ 48,079	\$ 1,929,760
	<u>\$ 1,213,962</u>	<u>\$ 667,719</u>	<u>\$ 48,079</u>	<u>\$ 1,929,760</u>

As of June 30, 2014, the City’s cash and investments consisted of the following:

Cash on hand	\$ 500
Cash on deposit, Edward G Jones	10,002
Deposits in financial institutions, Umpqua Bank	943,483
Total cash	<u>953,985</u>
Investments in Local Agency Investment Fund (LAIF)	374,109
Central San Joaquin Valley Risk Management Authority investment pool	601,666
Total investments	<u>975,775</u>
Total cash and investments	<u>\$ 1,929,760</u>

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury obligations	2 years	None	None
U.S. Agency securities	2 years	50%	None
Local agency bonds	2 years	50%	None
Certificates of deposit	2 years	50%	None
Investment Pool	N/A	None	None
LAIF	N/A	None	None

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City’s investment in LAIF has an average maturity of 278 days.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE B – CASH AND INVESTMENTS (Continued)

Investment	Total	Remaining Maturity (in Months) <u>12 Months</u> or Less
LAIF	\$ 374,109	\$ 374,109
Central San Joaquin Valley Risk Management Authority Pool	601,666	601,666
	<u>\$ 975,775</u>	<u>\$ 975,775</u>

Credit Risk: Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, and the actual ratings as of year-end for each investment type.

Investment	Minimum Legal Rating	Total	Not Rated
LAIF	N/A	\$ 374,109	\$ 374,109
Central San Joaquin Valley Risk Management Authority Pool	N/A	601,666	601,666
		<u>\$ 975,775</u>	<u>\$ 975,775</u>

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2014, the carrying amount of the City's deposits was \$948,550, and the bank balance was \$1,100,794. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$850,794 was collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code, but not in the City's name.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$64,870,214,443 managed by the State Treasurer. Of that amount, 1.09% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The City is a participant in the Central San Joaquin Valley Risk Management Authority Investment Pool (CSJVRM). The City reports its investment in CSJVRM at the fair value amount provided by CSJVRM, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CSJVRM, which are recorded on an amortized cost basis. Included in CSJVRM’s investment portfolio are commercial paper, negotiable CDs, United States Treasury Notes and Bills, and Corporate Securities and Agency Funds.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances as of June 30, 2014 were as follows:

Due to Other Funds	Due from Other Funds		
	General Fund	Reserve Fund	Total
General Fund		\$ 175,398	\$ 175,398
Major Fund			
Central Eureka Mine Project	\$ 48,253		48,253
Nonmajor Funds			
Badger Street	18,901	38,976	57,877
SB 621 Gaming Grant		11,326	11,326
	<u>\$ 67,154</u>	<u>\$ 225,700</u>	<u>\$ 292,854</u>

The remaining interfund transactions resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE D – CAPITAL ASSETS

Governmental activities capital assets activities for the year ended June 30, 2014 was as follows:

	Restated Balance at June 30, 2013	Additions	Retirements	Transfers/ Adjustments	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 1,178,294	\$ 109,167			\$ 1,287,461
Construction in progress	3,249,320	565,579			3,814,899
Total capital assets, not being depreciated	<u>4,427,614</u>	<u>674,746</u>			<u>5,102,360</u>
Capital assets, being depreciated:					
Buildings and improvements	3,776,418				3,776,418
Infrastructure	983,689				983,689
Machinery and equipment	351,693	42,283			393,976
Total capital assets, being depreciated	<u>5,111,800</u>	<u>42,283</u>			<u>5,154,083</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,322,052)	(21,636)			(3,343,688)
Infrastructure	(21,860)	(32,790)			(54,650)
Machinery and equipment	(287,873)	(21,275)			(309,148)
Total accumulated depreciation	<u>(3,631,785)</u>	<u>(75,701)</u>			<u>(3,707,486)</u>
Capital assets being depreciated, net	<u>1,480,015</u>	<u>(33,418)</u>			<u>1,446,597</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 5,907,629</u>	<u>\$ 641,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,548,957</u>

Depreciation expense for governmental capital assets by function could not be determined.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE D – CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2013	Additions	Retirements	Transfers/ Adjustments	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 596,362				\$ 596,362
Construction in progress	25,000				25,000
Total capital assets, not being depreciated	<u>621,362</u>				<u>621,362</u>
Capital assets, being depreciated:					
Buildings and improvements	328,791				328,791
Wastewater facilities	2,169,275				2,169,275
Sewer treatment plant	1,722,785				1,722,785
Machinery and equipment	124,561				124,561
Total capital assets, being depreciated	<u>4,345,412</u>	-	-	-	<u>4,345,412</u>
Less accumulated depreciation for:					
Buildings and improvements	(321,635)	\$ (3,162)			(324,797)
Wastewater facilities	(1,320,925)	(39,473)			(1,360,398)
Sewer treatment plant	(946,520)	(43,822)			(990,342)
Machinery and equipment	(108,262)	(5,384)			(113,646)
Total accumulated depreciation	<u>(2,697,342)</u>	<u>(91,841)</u>	-	-	<u>(2,789,183)</u>
Capital assets being depreciated, net	<u>1,648,070</u>	<u>(91,841)</u>	-	-	<u>1,556,229</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 2,269,432</u>	<u>\$ (91,841)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,177,591</u>

All of the depreciation expense for business-type capital assets was charged to the wastewater function.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE E – LONG-TERM LIABILITIES

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 64,653	\$ 23,588	\$ (57,226)	\$ 31,015	\$ 23,280
Other post-employment benefits	6,173	6,119	(5,954)	6,338	
Governmental activities long-term liabilities	<u>\$ 70,826</u>	<u>\$ 29,707</u>	<u>\$ (63,180)</u>	<u>\$ 37,353</u>	<u>\$ 23,280</u>
Business-Type Activities:					
Loan payable to USDA	\$ 644,000		\$ (15,000)	\$ 629,000	\$ 16,000
Loan payable to ARSA	450,000			450,000	
Compensated absences	12,323	\$ 24,371	(31,542)	5,152	4,047
Other post-employment benefits	1,448	1,435	(1,397)	1,486	
Business-type activities long-term liabilities	<u>\$ 1,107,771</u>	<u>\$ 25,806</u>	<u>\$ (47,939)</u>	<u>\$ 1,085,638</u>	<u>\$ 20,047</u>

U.S. Department of Agriculture (USDA) Loan Payable: Long-term debt of the City’s business-type activities consists of a loan payable to the USDA Rural Development to finance certain capital improvements to City’s sewer collection system. Principal payments are due annually on May 1. Interest payments, at an interest rate of 4.5%, are due semi-annually on November 1 and May 1. The scheduled annual minimum debt service requirements at June 30, 2014 are as follows:

June 30	Principal	Interest	Total
2015	\$ 16,000	\$ 28,305	\$ 44,305
2016	17,000	27,585	44,585
2017	18,000	26,820	44,820
2018	18,000	26,010	44,010
2019	19,000	25,200	44,200
2020-2024	110,000	112,375	222,375
2025-2029	137,000	85,230	222,230
2030-2034	171,000	51,435	222,435
2035-2037	123,000	11,250	134,250
Totals	<u>\$ 629,000</u>	<u>\$ 394,210</u>	<u>\$ 1,023,210</u>

Amador Regional Sanitation Authority (ARSA) Loan Payable: The City of Sutter Creek participates as a one of three members of the Amador Regional Sanitation Authority (ARSA). This joint powers authority, comprised of the City of Sutter Creek, the City of Amador City and the County of Amador, serves its members by facilitating and acquiring items needed for the disposal and discharging of treated effluent generated by its member agencies. A five member board, consisting of two County Supervisors, two Sutter Creek City Councilmembers and one Amador City Councilmember, holds regularly scheduled monthly meetings.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE E – LONG-TERM LIABILITIES (Continued)

In March 2006, the City of Sutter Creek and ARSA jointly funded the acquisition of an easement costing \$750,000. The easement provides for the eventual delivery of effluent (pipeline easement) to a spray field for the discharging of partially treated effluent. These facilities are to provide additional effluent disposal areas for ARSA. The timing of this development is unknown at this time (see Note J disclosure on developer agreement). The agreement with ARSA calls for the construction of a pipeline along the easement and for the proper discharge of effluent once the Gold Rush Golf development occurs. The City's agreement with Gold Rush Golf calls for the construction of the pipeline by the developer.

The City provided \$300,000 of the funding of the easement while ARSA provided the remaining \$450,000. The purchase agreement calls for the City to reimburse ARSA the principal of \$450,000 plus interest at the State Treasurer's LAIF rate. Principal amounts were originally scheduled as follows:

\$50,000 due on June 30, 2008
\$50,000 due on June 30, 2009
\$50,000 due on June 30, 2010
\$100,000 due on June 30, 2011
\$100,000 due on June 30, 2012
\$100,000 due on June 30, 2013

Since the existing ARSA system is adequate at this time and economic conditions currently exist preventing the development of the Gold Rush Golf development, the pipeline and spray field easement is not needed. For this reason, the City has requested a delay from ARSA in the repayment schedule. The most recent deferral approved by ARSA grants the City a delay until August 2015. If the Gold Rush Golf development does not occur, the City intends to use sewer connection fees and sewer rate charges for making the repayments to ARSA. The City has recorded a liability for this repayment in its Sewer Fund.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

Plan Description: For employees who retired prior to July 1, 2012 and employees hired on before July 1, 2012 who subsequently retire from City service, the City will contribute \$105 per month toward retiree medical premiums for those retirees enrolled in the City sponsored medical plan. Employees hired on or after July 1, 2012 are not eligible for postretirement coverage. There are currently five retirees, none of whom participate in the City-sponsored medical plan.

Funding Policy: The City Council will not be funding the plan in the current year. The City Council will review the funding requirements and policy annually.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation: The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 7,621
Interest on net OPEB obligation	152
Adjustment to annual required contribution	(220)
Annual OPEB cost (expense)	<u>7,553</u>
Contributions made (premium payments made)	<u>(7,350)</u>
Increase in net OPEB obligation	203
Net OPEB obligation, beginning of year	<u>7,621</u>
Net OPEB obligation, end of year	<u><u>\$ 7,824</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 7,621	0.0%	\$ 7,621
June 30, 2014	7,553	96.5%	7,824

Funding Status and Funding Progress: As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$49,137, of which \$41,787 is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition to the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. Since the retiree benefit is capped at a specific dollar amount, there is no provision for future increases included in the calculation.

Health insurance premiums – 2012-13 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 3.0% annually.

Discount rate – The calculation uses an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Plan for Funding: On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Required Supplementary Information: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
7/1/2012	\$ 49,137	\$ -	\$ 49,137	0%	\$ 870,812	6%

NOTE G – NET POSITION AND FUND BALANCE

The following are the purposes for which net position are restricted:

	Governmental Activities	Business-Type Activities
Street and bridge projects	\$ 1,069,971	
Public safety projects	19,933	
Community projects	27,019	
Traffic mitigation projects	21,715	
	<u>\$ 1,138,638</u>	<u>\$ -</u>

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE G – NET POSITION AND FUND BALANCE (Continued)

The following are the components of the Governmental Funds fund balances:

	General	Reserve	Traffic Mitigation Fund	Central Eureka Mine Fund	Sutter Creek Bridge Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:							
Street and bridge projects					\$ 190,859	\$ 305,894	\$ 496,753
Public safety projects						19,933	19,933
Community projects						27,019	27,019
Traffic mitigation projects			\$ 365,712				365,712
Total Restricted	-	-	365,712		190,859	352,846	909,417
Committed for:							
Cemetery						8,718	8,718
Total Committed	-	-	-		-	8,718	8,718
Assigned for:							
Uses to be determined		\$ 701,771					701,771
Total Assigned	-	701,771	-		-	-	701,771
Unassigned	\$ (86,078)			(48,833)		(30,449)	(165,360)
Total fund balances	\$ (86,078)	\$ 701,771	\$ 365,712	\$ (48,833)	\$ 190,859	\$ 331,115	\$ 1,454,546

NOTE H – DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute. The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. PERS requires plans with less than 100 active participants to participate in risk pools. The City participated in the Miscellaneous 3.0% at 60 Risk Pool for employees hired prior to December 31, 2012 and the Miscellaneous 2.0% at 62 Risk Pool for employees hired on or after January 1, 2013 for the year ended June 30, 2014. In addition, the City participated in the safety 3.0% at 50 Risk Pool for employees hired prior to December 31, 2012 and the Safety 2.7% at 57 Risk Pool for employees hired on or after January 1, 2013 for the year ended June 30, 2014. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: Active plan members in the PERS plans are required to contribute 6.25% to 8%, (8% to 11.5% for safety employees) of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate is 29.191% for safety employees and 30.615% for non-safety employees of the annual covered payroll. Participants in the Plan are required to contribute 8% of their annual covered salary. The contribution requirement of plan members and the City are established and may be amended by PERS. The City’s contributions for the years ended June 30, 2014, 2013 and 2012 were \$209,276, \$205,695 and \$148,378, respectively, which were equal to the required contributions for each year.

NOTE I – INSURANCE

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I 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 liability insurance. CSJVRMA provides claims processing administrative services, risk management services and actuarial studies. The City Council does not have significant oversight responsibility, since they evenly share all factors of responsibility with other agencies. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member agencies. CSJVRMA is empowered to make supplemental assessments as needed to eliminate deficit positions of member agencies. If CSJVRMA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. CSJVRMA 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 for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The audited financial statements of the CSJVRMA are available at the CSJVRMA’s office.

The City’s insurance coverage and the respective coverage providers are as follows:

Amount		Coverage Provider	Payment Source
LIABILITY CLAIMS:			
	\$ 10,000	Self-Insurer	City funds
\$ 10,001	\$ 1,000,000	Central San Joaquin Valley Risk Management Authority	Shared risk pool
\$ 1,000,001	\$ 15,000,000	California Affiliated Risk Mgmt Authorities (CARMA)	Shared risk pool
\$ 4,000,001	\$ 14,000,000	AmiTrust Reinsurance Group via CARMA	Purchased Insurance
\$ 14,000,001	\$ 29,000,000	Colony Natl Insurance Co. via CARMA	Purchased Insurance
WORKERS' COMPENSATION:			
	\$ 10,000	Self-Insurer	City funds
\$ 10,001.00	\$ 500,000	Central San Joaquin Valley Risk Management Authority	Shared risk pool
\$ 500,001.00	\$ 5,000,000	Local Agency Workers' Comp Excess JPA (LAWCX) Renaissance Reinsurance Company / Montpelier	Excess pool
\$ 5,000,001.00	\$ 50,000,000.00	Reinsurance / Axis Reinsurance via CSJVRMA	Purchased Insurance
\$ 50,000,001.00	Statutory Limit	Natl Union Fire Insurance Co (AJG) via CSJVRMA	Purchased Insurance

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE I – INSURANCE (Continued)

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settled claims have not exceeded insurance coverage for the past three fiscal years.

NOTE J – RELINQUISHMENT AGREEMENT, HIGHWAY 49 BYPASS

The City entered into an agreement on March 17, 2003 with the State of California acting through its Department of Transportation (CalTrans). The agreement, pursuant to the Street & Highways Code, relinquishes a portion of State Highway 49 from the State to the City (Old Highway 49). The City assumes responsibility of accepting Old Highway 49 in its then existing condition and assumes responsibility for replacing the Sutter Creek bridge that underpasses the old highway. Under this agreement, the State paid \$3,049,000 to the City in 2007, which was based on the State's estimated cost of the bridge project (\$1,948,000) and repairs to the old highway (\$1,101,000) to bring the old highway to a state of good repair as defined in Highway Code Section 23. The City recorded the amount received in a special revenue fund as restricted for the purposes of the agreement. The City Council passed a resolution on March 15, 2010 to loan other funds that had negative cash amounts from the Bypass Relinquishment Fund. After further evaluation, the City believes these relinquishment funds are not restricted and the City Council passed a resolution on January 20, 2015 to rescind the original resolution restricting the funds effective June 30, 2013. As a result, these interfund loans were reversed and instead were reflected as transfers from the Relinquishment Fund to various other City funds and Agency funds. The City was not able to obtain direct confirmation from CalTrans as to the use of the relinquishment funds, but based on consultation with legal council believes these funds are not restricted. The Relinquishment Fund has been renamed as the Reserve Fund.

The agreement acknowledges the cost of repairing the bridge at an amount of \$1,948,000. With assistance from CalTrans, the City obtained a Federal grant (89% of qualified expenditures) of \$1,800,000 for replacing the Main Street Bridge over Sutter Creek. The Bypass Relinquishment Fund transferred \$354,559 during fiscal year 2009/10 to the project fund as the City's contribution towards the project that is not covered by the grant.

The agreement also acknowledges the costs of deferred repairs on the old highway (exclusive of the bridge) at an amount of \$1,101,000. The City will use a variety of funding sources to accomplish this task including the proceeds from the 2007 allocation from the State. To alleviate the deferred repairs, the Bypass Fund (now the Reserve Fund) transferred \$200,000 from the Bypass Relinquishment Fund for the Broad Street drain project which is uphill from the road and parallels the old highway 550 yards away.

NOTE K – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2014, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014

NOTE K – COMMITMENTS AND CONTINGENCIES (Continued)

Developer Agreement: The City entered into an agreement in January 2010 with the Gold Rush Golf LLC. The agreement provides parameters for the development of a master plan community encompassing approximately 900 acres on the west side of the City. The development as pursued by Gold Rush Golf LLC and its successor entities are also controlled and limited by the various environmental and planning approvals obtained through the various approval processes stipulated by State law.

The agreement calls for the installation of a variety of public improvements that will serve the prospective development. Some of those improvements involve the City's sewage treatment plant. At this time, the site for the master plan community remains undeveloped and no new planning approvals have been sought by the developers. Given the state of the economy and the housing industry, it is unknown as to the timing of its development. The City has not initiated any plans for the expansion of its sewage treatment plan nor the related licensing, capacity and discharge limitations subject to State approval. The City has not recorded any obligation for any prospective public improvements associated with the development.

Contractual Arrangements: During the course of normal business the City enters into a variety of contractual arrangements for services and supplies. As of the balance sheet date the amount of these contractual arrangements total \$165,829 for various vendors.

NOTE L – FINANCIAL DIFFICULTIES

Due to the economic downturn, tax revenues for the City have decreased significantly from past years, causing the City's General Fund to accumulate a fund deficit of \$86,078 as of June 30, 2014. Due to the cumulative negative financial position of the General Fund, the City has no reserves for any unanticipated contingencies that could negatively impact the City fiscally. (Fund 39 is the Reserve Fund.)

For Fiscal Year 2014/15, the City adopted a General Fund budget totaling \$1,496,397 with a targeted operating surplus of \$76,939. While the fiscal year has ended, preliminary accounting for the fiscal year shows the General Fund to have generated more in revenues than expenses. The City intends to continue budgeting a surplus each fiscal year as evidenced by the recent policy adopted by the City Council.

The City plans to hold General Fund full-time staffing levels the same for the upcoming fiscal year of 2015/16 while expecting to experience an improved revenue picture. The City has actively sought revenue leakage areas and has reduced unnecessary expenditures.

For the most recent four years, the City has acted aggressively in reducing its General Fund spending and expects to continue experiencing benefits from these reductions in future years. The City also understands the importance of establishing a formal long-term plan to eliminate the accumulated deficit in the General Fund. The recently adopted budgets provide the foundation for the task of eliminating the accumulated deficit.

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COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF SUTTER CREEK

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2014

	Special Revenue Funds				
	Traffic Enhancement Activity Fund	Traffic and Safety Fund	Gas Tax Fund	Crestview Lighting District Fund	Local Transportation Commission Fund
ASSETS					
Cash and cash equivalents	\$ 21,277	\$ 72,093	\$ 67,948	\$ 1,579	\$ 83,520
Accounts receivable				632	
Due from other governmental agencies	12,275		22,260		
Interest receivable	4	4	6		5
TOTAL ASSETS	<u>\$ 33,556</u>	<u>\$ 72,097</u>	<u>\$ 90,214</u>	<u>\$ 2,211</u>	<u>\$ 83,525</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable			\$ 1,269		
Accrued liabilities			812		
Retentions payable					
Due to other funds					
Due to other governments					
Unearned revenue					
Deposits payable					
TOTAL LIABILITIES			<u>2,081</u>		
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	\$ 12,275				
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,275</u>				
FUND BALANCES					
Restricted	21,281	\$ 72,097	88,133	\$ 2,211	\$ 83,525
Committed					
Unassigned					
TOTAL FUND BALANCES	<u>21,281</u>	<u>72,097</u>	<u>88,133</u>	<u>2,211</u>	<u>83,525</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 33,556</u>	<u>\$ 72,097</u>	<u>\$ 90,214</u>	<u>\$ 2,211</u>	<u>\$ 83,525</u>

Special Revenue Funds

Cemetery Fund	FEMA Fund	Plymouth Pipeline Fund	Cal Trans. Street Fund	AB 1600 Fund	Badger Street Bridge Grant Fund	SB 621 Gaming Grant Fund
\$ 8,717	\$ 12,465			\$ 5,455		\$ -
1	1			1	\$ 68,863	4
<u>\$ 8,718</u>	<u>\$ 12,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,456</u>	<u>\$ 68,863</u>	<u>\$ 4</u>
					\$ 10,646	
					57,877	\$ 11,326
		\$ 13				
		13			68,523	11,326
					6,449	
					6,449	
\$ 8,718	\$ 12,466			\$ 5,456		
		(13)			(6,109)	(11,322)
<u>8,718</u>	<u>12,466</u>	<u>(13)</u>		<u>5,456</u>	<u>(6,109)</u>	<u>(11,322)</u>
<u>\$ 8,718</u>	<u>\$ 12,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,456</u>	<u>\$ 68,863</u>	<u>\$ 4</u>

CITY OF SUTTER CREEK

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2014

	Special Revenue Funds				
	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Community Center Grant Fund	Traffic Congestion Fund
ASSETS					
Cash and cash equivalents	\$ 3,651	\$ 32,972			\$ -
Accounts receivable					
Due from other governmental agencies	3,811				
Interest receivable	5	2			
TOTAL ASSETS	<u>\$ 7,467</u>	<u>\$ 32,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
Accrued liabilities					
Retentions payable					
Due to other funds					
Due to other governments				4,284	
Unearned revenue					
Deposits payable					
TOTAL LIABILITIES				<u>4,284</u>	
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
TOTAL DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES					
Restricted	\$ 7,467	\$ 32,974			
Committed					
Unassigned				\$ (4,284)	
TOTAL FUND BALANCES	<u>7,467</u>	<u>32,974</u>		<u>(4,284)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,467</u>	<u>\$ 32,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Plan Update Fund	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	ACRA Regional Rec. Fees Fund	Broad Street Drain Fund	RDA Formation Fund		Prospect Bowers Fund	
	\$ 27,018	\$ 204		\$ 336,899 632	\$ 34,050	\$ 370,949 632
				107,209 47		107,209 47
	1	13				
<u>\$ -</u>	<u>\$ 27,019</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 444,787</u>	<u>\$ 34,050</u>	<u>\$ 478,837</u>
				\$ 11,915 812		\$ 11,915 812
				69,203 4,284		69,203 4,284
				13	\$ 42,771	42,771
				<u>86,227</u>	<u>42,771</u>	<u>128,998</u>
				18,724		18,724
				18,724		18,724
	\$ 27,019	\$ 217		352,846 8,718		352,846 8,718
				(21,728)	(8,721)	(30,449)
	<u>27,019</u>	<u>217</u>		<u>339,836</u>	<u>(8,721)</u>	<u>331,115</u>
<u>\$ -</u>	<u>\$ 27,019</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 444,787</u>	<u>\$ 34,050</u>	<u>\$ 478,837</u>

CITY OF SUTTER CREEK

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	Special Revenue Funds				
	Traffic Enhancement Activity Fund	Traffic and Safety Fund	Gas Tax Fund	Crestview Lighting District Fund	Local Transportation Commission Fund
REVENUES					
Taxes and assessments			\$ 87,757		
Interest and investment income	\$ 23	\$ 39	41		\$ 43
Intergovernmental revenues					
Charges for services					
Other revenue					
TOTAL REVENUES	<u>23</u>	<u>39</u>	<u>87,798</u>	<u></u>	<u>43</u>
EXPENDITURES					
General government					
Public safety					
Cultural and recreation					
Public works and facilities			75,666	\$ 601	297
Community development			531		
Capital outlay	41,436				
TOTAL EXPENDITURES	<u>41,436</u>	<u></u>	<u>76,197</u>	<u>601</u>	<u>297</u>
NET CHANGE IN FUND BALANCES	(41,413)	39	11,601	(601)	(254)
Fund balances, beginning of year	<u>62,694</u>	<u>72,058</u>	<u>76,532</u>	<u>2,812</u>	<u>83,779</u>
FUND BALANCES END OF YEAR	<u>\$ 21,281</u>	<u>\$ 72,097</u>	<u>\$ 88,133</u>	<u>\$ 2,211</u>	<u>\$ 83,525</u>

Special Revenue Funds

Cemetery Fund	FEMA Fund	Plymouth Pipeline Fund	Cal Trans. Street Fund	AB 1600 Fund	Badger Street Bridge Grant Fund	SB 621 Gaming Grant Fund
\$ 9	\$ 6			\$ 7		\$ 20
				5,448	\$ 77,211	32,463
		(13)				
<u>9</u>	<u>6</u>	<u>(13)</u>		<u>5,455</u>	<u>77,211</u>	<u>32,483</u>
						56,246
7,010						
					92,417	
<u>7,010</u>					<u>92,417</u>	<u>56,246</u>
(7,001)	6	(13)		5,455	(15,206)	(23,763)
<u>15,719</u>	<u>12,460</u>			<u>1</u>	<u>9,097</u>	<u>12,441</u>
<u>\$ 8,718</u>	<u>\$ 12,466</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 5,456</u>	<u>\$ (6,109)</u>	<u>\$ (11,322)</u>

CITY OF SUTTER CREEK

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	Special Revenue Funds				
	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Community Center Grant Fund	Traffic Congestion Fund
REVENUES					
Taxes and assessments					
Interest and investment income		\$ 18	\$ 3		\$ 10
Intergovernmental revenues	\$ 9,051				
Charges for services				18,769	
Other revenue					
TOTAL REVENUES	<u>9,051</u>	<u>18</u>	<u>3</u>	<u>18,769</u>	<u>10</u>
EXPENDITURES					
General government			3		42
Public safety	5,400				
Cultural and recreation				23,053	
Public works and facilities					
Community development					
Capital outlay					
TOTAL EXPENDITURES	<u>5,400</u>	<u></u>	<u>3</u>	<u>23,053</u>	<u>42</u>
NET CHANGE IN FUND BALANCES	3,651	18		(4,284)	(32)
Fund balances, beginning of year	<u>3,816</u>	<u>32,956</u>	<u></u>	<u>-</u>	<u>32</u>
FUND BALANCES END OF YEAR	<u>\$ 7,467</u>	<u>\$ 32,974</u>	<u>\$ -</u>	<u>\$ (4,284)</u>	<u>\$ -</u>

General Plan Update Fund	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	ACRA Regional Rec. Fees Fund	Broad Street Drain Fund	RDA Formation Fund		Prospect Bowers Fund	
				\$ 87,757		\$ 87,757
	\$ 14	\$ 204		437	\$ 71	508
				118,725	9,290	128,015
				24,217		24,217
				(13)		(13)
	14	204		231,123	9,361	240,484
				45		45
				61,646		61,646
				23,053		23,053
				83,574		83,574
				531		531
				133,853	18,082	151,935
				302,702	18,082	320,784
	14	204		(71,579)	(8,721)	(80,300)
	27,005	13		411,415		411,415
\$ -	\$ 27,019	\$ 217	\$ -	\$ 339,836	\$ (8,721)	\$ 331,115

CITY OF SUTTER CREEK

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

As of June 30, 2014

	Monteverde Store Fund	Knights Foundry Fund	Community Facilities District Fund	ARSA Funds	Community Trust Fund	Total
ASSETS						
Cash and investments		\$ 44,711	\$ 924		\$ 2,444	\$ 48,079
Due from other governments			239	\$ 6,854		7,093
TOTAL ASSETS	\$ -	\$ 44,711	\$ 1,163	\$ 6,854	\$ 2,444	\$ 55,172
LIABILITIES						
Accounts payable			\$ 1,163	\$ 1,046	\$ 2,431	\$ 4,640
Due to other governments		\$ 44,711			13	44,724
Other accrued liabilities				5,808		5,808
TOTAL LIABILITIES	\$ -	\$ 44,711	\$ 1,163	\$ 6,854	\$ 2,444	\$ 55,172