

CITY OF SUTTER CREEK, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

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CITY OF SUTTER CREEK, CALIFORNIA

Basic Financial Statements

For the Year Ended June 30, 2017

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CITY OF SUTTER CREEK, CALIFORNIA

Basic Financial Statements

For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of 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 (City), as of and for the year ended June 30, 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities (Wastewater Fund)	Qualified
Governmental Major Funds (General Fund and Badger Street Bridge Replacement Fund)	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Governmental and Business Type Activities

As discussed in Note 1, accounting principles generally accepted in the United States of America require that capital assets are required to be capitalized prospectively beginning July 1, 2003. The City has recorded only recently completed capital assets, including infrastructure projects. 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 position, and expenses of the governmental and business-type activities has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on the Governmental and Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the City as of June 30, 2017, and 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 Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each governmental major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplementary Information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
March 28, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis of the City of Sutter Creek (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read in conjunction with the accompanying financial statements.

Financial Highlights:

- The assets of the City exceeded its liabilities of June 30, 2017 by \$12 million, which represents the net position.
- The City's net position increased by \$2.7 million for year ended June 30, 2017.
- Six required accounting statements were implemented:
 - Governmental Accounting Standard Board Statement No. 73 (GASB 73) – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, and
 - Governmental Accounting Standard Board Statement No. 74 (GASB 74) – Financial Reporting for Postemployment Benefit Plans other than Pension Plans, and
 - Governmental Accounting Standard Board Statement No. 77 (GASB 77) – Tax Abatement Disclosures, and
 - Governmental Accounting Standard Board Statement No. 78 (GASB 78) – Pensions provided through certain Multiple-Employer Defined Benefit Pensions Plans, and
 - Governmental Accounting Standard Board Statement No. 80 (GASB 80) – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, and
 - Governmental Accounting Standard Board Statement No. 82 (GASB 82) – Pension Issues, An Amendment of GASB Statements No. 67, No. 68, and No. 73.
- General Fund revenues exceeded General Fund expenses by \$457,543. The City's General Fund revenue totaled \$2,101,772 and General Fund expense totaled \$1,644,229 for fiscal year 2017. Public safety (police protection) costs comprised \$770,002 or 47% of General Fund expenditures.
- The City budgeted 3% of General Fund revenue, \$51,486 that was transferred to the General Reserve Fund
- The City budgeted \$10,000 of General Fund revenue that was transferred to the General Operating Reserve Fund.

Overview of the Financial Statements:

This discussion and analysis serves as an introduction to the City's basic financial statements that are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis. The government-wide and the fund financial statements present two different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's financial information, reporting these operations in more detail than the government-wide financial statements.
- The governmental funds statements and the agency funds statements tell how basic services such as operations, administration, and restricted funds were financed in the short-term as well as what remains for future spending

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data analysis.

Government-Wide Financial Statements:

The government-wide financial statements report information about the City as a whole, providing readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are therefore taken into account, regardless of when cash is received or paid.

The first of the government-wide statements is the Statement of Net Position. The Statement of Net Position reports the difference between the City's total assets and total liabilities and includes all the City's capital assets and all its long-term debt. Over time, increases or decreases in net assets may serve as one indicator of whether the City's financial position is improving or deteriorating.

Although the Statement of Net Position reports a total net position of \$12 million, the City has restrictions over the use of these funds. The investment in land, buildings, and equipment (capital assets, net of related debt) is necessary for the successful operation of the City. Governmental laws segregate funds and place restrictions on spending. This should be considered when reviewing the report.

The second of the government-wide financial statements is the Statement of Activities. This statement shows the result of operations that caused net position to change from the prior year to the amount reported on the Statement of Net Position as of June 30, 2017. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years' reporting periods.

The Statement of Activities classifies expenses by functional area. The report also shows corresponding charges for services and restricted grants for each function that help support the expenses. The resulting Net (Expenses) Revenue and Changes in Net Position shows the remaining expenses not supported by charges for services and restricted grants. General revenues are then applied to the remaining expenses resulting in the total change in net position.

Fund Financial Statements:

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state or federal law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain, taxes, grants and other funding resources. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

Because the focus of the governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The differences of results in the governmental funds financial statements to those in the government-wide financial statements are shown in reconciliations following the governmental funds financial statements.

Proprietary Funds— The City maintains one type of proprietary funds – enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the wastewater collection and treatment. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to Basic Financial Statements:

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

Required Supplementary Information:

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date.

Other Supplementary Information:

Supplementary schedules concerning balance sheets and fund balances for all other funds are presented immediately following the Required Supplementary Information. Financial activity related to the City's agency funds is also presented separately in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:**Statement of Net Position:**

The City's net position was more as of June 30, 2017, than the year before, increasing \$2.73 million from \$9.27 million to \$12 million. The following are major components of the City's net position:

City of Sutter Creek Condensed Statement of Net Position					
	As of		Change		
	<u>6/30/17</u>	<u>6/30/16</u>	<u>Amount</u>	<u>Percent</u>	
Assets:					
Current Assets	\$4,388,129	\$3,547,233	\$840,896	23.7%	22.7%
Noncurrent assets	12,213,957	9,676,098	2,537,859	26.2%	3.9%
Total Assets	16,602,086	13,223,331	3,378,755	25.6%	8.4%
Deferred Outflows	808,509	299,042	509,467	170.4%	24.0%
Liabilities:					
Current Liabilities	1,031,486	367,033	664,453	181.0%	-1.7%
Long-term Liabilities	4,152,852	3,576,952	575,900	16.1%	7.3%
Total Liabilities	5,184,338	3,943,985	1,240,353	31.4%	6.4%
Deferred Inflows	223,060	307,695	(84,635)	-27.5%	-46.7%
Net Position:					
Investment in Capital Assets,	11,143,512	8,502,763	2,640,749	31.1%	6.7%
Restricted	825,481	814,939	10,542	1.3%	6.3%
Unrestricted (deficit)	34,204	(47,009)	81,213	172.8%	91.9%
Total Net Position	\$12,003,197	\$9,270,693	\$2,732,504	29.5%	13.6%

The total assets increased by \$3.4 million and total liabilities increased by \$1.2 million which is related to long-term pension liability. Restricted net asset assets are restricted by State law, municipal code and contractual obligations to be utilized for public works (street and bridge projects) and other city projects.

Statement of Activities:

City of Sutter Creek
Condensed Statement of Activities

	June 30, 2017			June 30, 2016		
	Governmental	Business-type	Total	Governmental	Business-type	Total
Revenues						
Charges for services	\$411,283	\$1,813,963	\$2,225,246	\$486,257	\$1,565,023	\$2,051,280
Operating grants and contributions	167,105		167,105	207,740		207,740
Capital grants and contributions	1,633,095		1,633,095	651,423		651,423
General Revenue:						
Taxes:						
Property taxes	716,401		716,401	696,942		696,942
Sales taxes	324,572		324,572	387,556		387,556
Transient occupancy tax	267,392		267,392	258,198		258,198
Franchise taxes	108,874		108,874	73,944		73,944
Gas taxes	55,586		55,586	60,474		60,474
Motor vehicle in-lieu	1,159		1,159	59,756		59,756
Investment Income	3,723	1,263	4,986	18,359	2,900	21,259
Rental Income	22,658		22,658	26,278		26,278
Transportation impact fees						
Miscellaneous	38,357		38,357	17,759		17,759
Interfund transfers	9,989	(9,989)				
Total revenue and transfers	2,398,711	1,805,237	4,203,948	2,944,686	1,567,923	4,512,609
Expenses						
General government	486,759		486,759	658,873		658,873
Public safety	631,809		631,809	742,655		742,655
Culture and recreation	76		76	180		180
Public works	722,320		722,320	440,868		440,868
Community development	69,272		69,272	65,393		65,393
Depreciation						
Wastewater		1,772,691	1,772,691		1,491,880	1,491,880
Interest on long-term debt						
Total Expenses	1,910,2369	1,772,691	3,682,927	1,907,969	1,491,880	3,399,849
Change in net assets	2,699,958	32,546	2,732,504	1,036,717	76,043	1,112,760
Net Position – beginning	7,444,246	1,826,447	9,270,693	6,407,529	1,750,404	8,157,933
Net Position – ending	<u>\$10,144,204</u>	<u>\$1,858,993</u>	<u>\$12,003,197</u>	<u>\$7,444,246</u>	<u>\$1,826,447</u>	<u>\$9,270,693</u>

The City's total revenues for 2017 shows \$4.2 million compared to total revenues of \$4.5 million for the previous year. There were large increases in revenue in Business-type charges for services and Governmental capital grants and contributions. There were decreases in revenue in Governmental charges for services, operating grants and contributions, sales taxes and motor vehicle in lieu.

Fund Financial Statement Analysis:

As the City completed the year, its major governmental funds, General Fund and Badger Street Bridge Replacement Grant Fund reported combined fund balances of \$969,157 a decrease of \$114,209 from last year's ending fund balances of \$1,083,366. The majority of the increase was due to the General Fund Cash and investments increasing by \$916,757. The Badger Street Bridge Replacement Grant Fund decreased significantly for fiscal year 2017 with an ending fund balance of (\$638,302). As the bridge project was nearing completion at fiscal year-end, accounts payables showed an increase of \$265,393 and due from other governmental agencies and due to other funds also increased which was a major factor in the small increase in major fund balances.

Fund Budgetary Highlights:

The General Fund final adopted budget, had an increase from the prior year in total revenue by \$118,450 and the actual total revenue increased from the prior year by \$182,102. Anticipated revenues for the General Fund for 2017 totaled \$1.74 million while actual revenues equaled \$2.1 million, a difference of \$360,572. As the economy improved last year, the City saw increases in taxes, licenses and permits interest and investment income, and charges for services.

General Fund expenditures budgeted for 2017 totaled \$1.68 million while actual expenditures equaled \$1.64 million, a difference of \$39,023. Public safety had the largest reduction from budgeted to actual amounts spent, budgeted was \$954,532 and actual \$770,002 a difference of \$184,530.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

As of the end of fiscal year 2017, the City had invested \$12.2 million in a broad range of capital assets including buildings, land, wastewater facilities, sewer treatment plant, vehicles and machinery. The City increased its gross capital assets by \$2.8 million during 2017. Total depreciation expense for the year was \$222,073. Depreciation expense is allocated to the fund and category in which the capital asset has been recorded.

Additional information on the City's capital assets can be found in Note 4.

Long-Term Debt:

The City's long term is composed of \$578k due to the U.S Department of Agriculture which was to finance capital improvements to the City's sewer collection system and \$450k due to Amador Regional Sanitation Authority for the acquisition of an easement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

The factors that most significantly impact the City and its budget are driven by property values, building activity, and tourism. These factors directly impact property taxes, sales taxes, and transient occupancy taxes, which combined are the City's largest revenue source. The City saw a decrease in these three revenue sources in the amount of \$34,331 between 2017 and 2016.

The City recognizes its contractual obligations to employees for vacation and benefits payable. In fiscal year 2017, the City set aside \$31,027 as a reserve to pay off its compensated absences balance. The annual expected payout of vacation leave is reflected in the current operating budget of the General Fund.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in Note 8. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$188,019 in fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or would like additional financial information, please contact the City of Sutter Creek, 18 Main Street, Sutter Creek, California 95685.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SUTTER CREEK
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$2,266,679	\$1,667,392	\$3,934,071
Accounts receivable, net of allowance for doubtful accounts	43,393	66,422	109,815
Prepaid expense	4,000		4,000
Due from other government agencies	205,023	135,220	340,243
Total current assets	<u>2,519,095</u>	<u>1,869,034</u>	<u>4,388,129</u>
Noncurrent assets:			
Due from other government agencies		42,445	42,445
Capital assets:			
Non-depreciable (Note 1E and 4)	6,729,217	596,362	7,325,579
Depreciable, net (Note 1E and 4)	3,384,168	1,461,765	4,845,933
Total noncurrent assets	<u>10,113,385</u>	<u>2,100,572</u>	<u>12,213,957</u>
Total Assets	<u>12,632,480</u>	<u>3,969,606</u>	<u>16,602,086</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 8)	<u>521,488</u>	<u>287,021</u>	<u>808,509</u>
Total Deferred Outflows of Resources	<u>521,488</u>	<u>287,021</u>	<u>808,509</u>
LIABILITIES			
Current liabilities:			
Accounts payable	458,580	66,800	525,380
Accrued liabilities		24,899	24,899
Due to other governments	296		296
Interest payable		77,414	77,414
Deposits payable	367,907	4,114	372,021
Unearned revenue			
Compensated absences, due in less than one year (Note 1G)	8,989	4,487	13,476
Long-term debt, due in less than one year (Note 5)		18,000	18,000
Total current liabilities	<u>835,772</u>	<u>195,714</u>	<u>1,031,486</u>
Long-term liabilities:			
OPEB liability (Note 6)	14,121	4,285	18,406
Compensated absences, due in more than one year (Note 1G)	12,050	5,501	17,551
Long-term debt, due in more than one year (Note 5)		1,010,000	1,010,000
Net pension liability (Note 8)	2,003,947	1,102,948	3,106,895
Total long-term liabilities	<u>2,030,118</u>	<u>2,122,734</u>	<u>4,152,852</u>
Total Liabilities	<u>2,865,890</u>	<u>2,318,448</u>	<u>5,184,338</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 8)	<u>143,874</u>	<u>79,186</u>	<u>223,060</u>
Total Deferred Inflows of Resources	<u>143,874</u>	<u>79,186</u>	<u>223,060</u>
NET POSITION (Note 7)			
Net investment in capital assets	10,113,385	1,030,127	11,143,512
Restricted for street and bridge projects	200,131		200,131
Restricted for other City projects	625,350		625,350
Unrestricted	(794,662)	828,866	34,204
Total Net Position	<u>\$10,144,204</u>	<u>\$1,858,993</u>	<u>\$12,003,197</u>

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

CITY OF SUTTER CREEK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government and administrative services	\$486,759	\$249,897			(\$236,862)		(\$236,862)
Public safety	631,809	20,830	\$167,105		(443,874)		(443,874)
Culture and recreation	76	112,527			112,451		112,451
Public works	722,320	28,029		\$1,633,095	938,804		938,804
Community development	69,272				(69,272)		(69,272)
Total Governmental Activities	1,910,236	411,283	167,105	1,633,095	301,247		301,247
Business-type Activities:							
Wastewater	1,772,691	1,813,963				\$41,272	41,272
Total Business-type Activities	1,772,691	1,813,963				41,272	41,272
Total government	\$3,682,927	\$2,225,246	\$167,105	\$1,633,095	301,247	41,272	342,519
General revenues:							
Taxes:							
Property taxes					716,401		716,401
Sales taxes					324,572		324,572
Transient occupancy tax					267,392		267,392
Franchise taxes					108,874		108,874
Gas taxes					55,586		55,586
Motor vehicle in-lieu					1,159		1,159
Investment income					3,723	1,263	4,986
Rental income					22,658		22,658
Contributed capital					850,000		850,000
Miscellaneous					38,357		38,357
Transfers					9,989	(9,989)	
Total General Revenues					2,398,711	(8,726)	2,389,985
Changes in Net Position					2,699,958	32,546	2,732,504
Net Position - Beginning					7,444,246	1,826,447	\$9,270,693
Net Position - Ending					\$10,144,204	\$1,858,993	\$12,003,197

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

CITY OF SUTTER CREEK
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	Major Funds			
	General Fund	Badger Street Bridge Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 2)	\$1,389,408		\$877,271	\$2,266,679
Accounts receivable, net of allowance for doubtful accounts	42,154		1,239	43,393
Due from other governmental agencies	87,486	\$117,537		205,023
Prepaid expenses		4,000		4,000
Due from other funds (Note 3)	548,388			548,388
TOTAL ASSETS	\$2,067,436	\$121,537	\$878,510	\$3,067,483
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$91,774	\$313,325	\$53,481	\$458,580
Due to other funds (Note 3)		446,514	101,874	548,388
Due to other governments	296			296
Deposits payable	367,907			367,907
TOTAL LIABILITIES	459,977	759,839	155,355	1,375,171
FUND BALANCES (Note 7)				
Restricted			825,481	825,481
Unassigned	1,607,459	(638,302)	(102,326)	866,831
TOTAL FUND BALANCES	1,607,459	(638,302)	723,155	1,692,312
TOTAL LIABILITIES AND FUND BALANCES	\$2,067,436	\$121,537	\$878,510	\$3,067,483

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

CITY OF SUTTER CREEK

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

JUNE 30, 2017

Total Governmental Fund Balances	\$1,692,312
Amounts reported for governmental activities in the Statement of Net Position 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.	10,113,385
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	(21,039)
Other post-employment benefits	(14,121)
Pension related deferred outflows, deferred inflows and liabilities	<u>(1,626,333)</u>
Net Position of Governmental Activities	<u><u>\$10,144,204</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
FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds			
	General Fund	Badger Street Bridge Replacement Fund	Nonmajor Governmental Funds	Governmental Funds
REVENUES				
Taxes and assessments	\$1,395,167		\$55,586	\$1,450,753
Licenses, permits and fees	94,230		425	94,655
Fines and forfeitures	14,647			14,647
Interest and investment income	3,328		398	3,726
Intergovernmental revenues	363,491	\$1,325,284	95,857	1,784,632
Charges for services	190,641		170,883	361,524
Other revenue	40,268			40,268
TOTAL REVENUES	2,101,772	1,325,284	323,149	3,750,205
EXPENDITURES				
Current:				
General government and administration	340,502		35,774	376,276
Public safety	770,002			770,002
Public works and facilities	298,120		157,201	455,321
Community development	69,272			69,272
Cultural and recreation	164,335		55,093	219,428
Capital outlay	1,998	1,904,511	125,628	2,032,137
TOTAL EXPENDITURES	1,644,229	1,904,511	373,696	3,922,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	457,543	(579,227)	(50,547)	(172,231)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3)	62,312		54,837	117,149
Transfers out (Note 3)	(54,837)		(52,323)	(107,160)
TOTAL OTHER FINANCING SOURCES (USES)	7,475		2,514	9,989
NET CHANGE IN FUND BALANCES	465,018	(579,227)	(48,033)	(162,242)
FUND BALANCES, BEGINNING OF YEAR	1,142,441	(59,075)	771,188	1,854,554
FUND BALANCES, END OF YEAR	\$1,607,459	(\$638,302)	\$723,155	\$1,692,312

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

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$162,242)

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

Governmental funds report outlays for capital assets as expenditures because such
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	(144,548)
The capital outlay and other capitalizable expenditures are added back to fund balance	1,855,577
Contributed capital	850,000

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	(791)
Other post-employment benefits	(1,270)

The amounts below included in the Statement of Activities do not provide or (require) the use of
current financial resources and therefore are not reported as revenues or expenditures in
governmental funds (net change):

Change in net pension liability and related deferred inflows/outflows	<u>303,232</u>
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Change in Net Assets of Governmental Activities	<u><u>\$2,699,958</u></u>
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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 - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$1,338,000	\$1,338,000	\$1,395,167	\$57,167
Licenses and permits	44,500	44,500	94,230	49,730
Fines and penalties	17,500	17,500	14,647	(2,853)
Interest and investment income	1,500	1,500	3,328	1,828
Intergovernmental	190,000	190,000	363,491	173,491
Charges for services	97,200	122,200	190,641	68,441
Other revenue	27,500	27,500	40,268	12,768
TOTAL REVENUES	1,716,200	1,741,200	2,101,772	360,572
EXPENDITURES:				
Current:				
General government and administration	292,035	288,164	340,502	(52,338)
Public safety	950,087	954,532	770,002	184,530
Public works and facilities	137,780	206,638	298,120	(91,482)
Community development	63,725	63,725	69,272	(5,547)
Culture and recreation	205,760	165,193	164,335	858
Capital outlay	10,600	5,000	1,998	3,002
TOTAL EXPENDITURES	1,659,987	1,683,252	1,644,229	39,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,213	57,948	457,543	399,595
OTHER FINANCING SOURCES (USES)				
Transfers in			62,312	62,312
Transfers out			(54,837)	(54,837)
TOTAL OTHER FINANCING USES			7,475	7,475
	\$56,213	\$57,948	465,018	\$407,070
FUND BALANCES, BEGINNING OF YEAR			1,142,441	
FUND BALANCES, END OF YEAR			\$1,607,459	

CITY OF SUTTER CREEK
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017

	Major Enterprise Fund
	Wastewater Fund
ASSETS	
CURRENT ASSETS	
Cash and investments (Note 2)	\$1,667,392
Accounts receivable, net	66,422
Due from other governments	135,220
TOTAL CURRENT ASSETS	<u>1,869,034</u>
NONCURRENT ASSETS	
Due from other government agencies - long-term	42,445
Capital assets:	
Non-depreciable (Note 4)	596,362
Depreciable - net (Note 4)	1,461,765
TOTAL NONCURRENT ASSETS	<u>2,100,572</u>
TOTAL ASSETS	<u>3,969,606</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related (Note 8)	287,021
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>287,021</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	66,800
Accrued liabilities	24,899
Interest payable	77,414
Deposits payable	4,114
Compensated absences, due in less than one year (Note 1)	4,487
Long-term debt, due in less than one year (Note 5)	18,000
TOTAL CURRENT LIABILITIES	<u>195,714</u>
NONCURRENT LIABILITIES	
Net pension liability (Note 8)	1,102,948
OPEB liability (Note 6)	4,285
Compensated absences, due in more than one year (Note 1)	5,501
Long-term debt, due in more than one year (Note 5)	1,010,000
TOTAL NONCURRENT LIABILITIES	<u>2,122,734</u>
TOTAL LIABILITIES	<u>2,318,448</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 8)	79,186
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>79,186</u>
NET POSITION	
Net investment in capital assets	1,030,127
Unrestricted	828,866
TOTAL NET POSITION	<u><u>\$1,858,993</u></u>

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

CITY OF SUTTER CREEK
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Major Enterprise Fund
	<u> </u>
	Wastewater Fund
	<u> </u>
OPERATING REVENUES	
Service charges	\$1,788,963
Intergovernmental	25,000
TOTAL OPERATING REVENUES	<u>1,813,963</u>
OPERATING EXPENSES	
Salaries and benefits	764,069
Operation and maintenance	896,513
Depreciation (Note 4)	77,525
TOTAL OPERATING EXPENSES	<u>1,738,107</u>
OPERATING INCOME (LOSS)	<u>75,856</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,263
Interest expense	<u>(34,584)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(33,321)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>(9,989)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,989)</u>
Change in net assets	32,546
BEGINNING NET POSITION	<u>1,826,447</u>
ENDING NET POSITION	<u><u>\$1,858,993</u></u>

See accompanying notes to financial statements

CITY OF SUTTER CREEK
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

	Wastewater Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$1,843,547
Cash paid to suppliers	(849,110)
Cash paid to employees and related benefits	(462,631)
Cash Flows from Operating Activities	<u>531,806</u>
Cash Flows from Non-Capital Activities	
Transfers out	(9,989)
Cash Flows from Non-Capital Activities	<u>(9,989)</u>
Cash Flows from Capital and Related Financing Activities	
Capital asset acquisition	(139,245)
Debt principal paid	(18,000)
Interest paid	(30,000)
Cash Flows from Capital and Related Financing Activities	<u>(187,245)</u>
Cash Flows from Investing Activities	
Interest received	1,263
Cash Flows from Investing Activities	<u>1,263</u>
Increase in cash and cash equivalents	335,835
Cash and cash equivalents, beginning of year	<u>1,331,557</u>
Cash and cash equivalents, end of year	<u><u>\$1,667,392</u></u>
Reconciliation of Operating Income from operations to cash provided by operating activities:	
Operating income	\$75,856
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	77,525
(Decrease) increase in due to retirement system	296,937
(Increase) decrease in assets:	
Accounts receivable	(48,036)
Due from other governments	77,620
(Decrease) increase in liabilities:	
Accounts payable	60,172
Accrued expenses	(12,072)
Deposits payable	(697)
OPEB	1,270
Accrued compensated absences	3,231
Cash Flows from Operating Activities	<u><u>\$531,806</u></u>

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

CITY OF SUTTER CREEK
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	<u>\$18,633</u>
Total Assets	<u><u>\$18,633</u></u>
LIABILITIES	
Accounts payable	\$8,102
Due to other governments	<u>10,531</u>
Total Liabilities	<u><u>\$18,633</u></u>
See accompanying notes to financial statements	

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sutter Creek (City) 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 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. GASB issues 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.

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 Position 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.

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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- A. 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 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.

Badger Street Bridge Replacement Capital Projects Fund – The Badger Street Bridge Capital Projects Fund is used to account for the planning and construction of the Badger Street Bridge project.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 fund is charges to customers or other funds for sales and services. Operating expenses for enterprise 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 non-operating 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.

Enterprise Fund – 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.

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.

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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- B. 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 the 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.
- C. Interfund Balances: 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.
- D. 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.

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.

The City has provided an allowance for doubtful accounts of \$0 at June 30, 2017.

- E. Capital Assets: Capital assets for governmental fund types of the City are capitalized in the funds used to acquire or construct them. Capital acquisitions are to be reflected as expenditures 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 valued at their estimated acquisition value on the date contributed. At June 30, 2017, the City has not recorded donated and contributed capital assets from 2004 through 2014, as required under generally accepted accounting principles.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, including 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. However, the City has only recorded capital assets in recent years, and has not recorded all infrastructures prospectively beginning July 1, 2003, as required under generally accepted accounting principles.

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 40 years
Infrastructure	30 years
Wastewater facilities and treatment plant	20 to 40 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.

- F. 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.
- G. 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, (i.e. as a result of employee resignations or retirements that are currently payable) are reported as expenditures and a fund 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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences during the fiscal year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due Within One Year
Governmental Activities	\$ 20,248	\$ 25,639	\$ (24,848)	\$ 21,039	\$ 8,989
Business-Type Activities	6,757	10,295	(7,064)	9,988	4,487
Total	<u>\$ 27,005</u>	<u>\$ 35,934</u>	<u>\$ (31,912)</u>	<u>\$ 31,027</u>	<u>\$ 13,476</u>

- H. 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 another 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.

- I. Deferred Inflows and Deferred Outflows of Resources: In addition to assets, the Statement of Net Position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

- J. 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.
- K. 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 Manager. The City Manager 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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Except for the General Fund and Gas Tax, Streets & Sidewalks Special Revenue Fund, all Special Revenue Funds are not budgeted.

Deficit Fund Equity: The following funds have fund deficits at June 30, 2017:

	<u>Amount</u>
Badger Street Bridge Replacement Capital Projects Fund	\$638,302
Traffic Enhancement Activity Special Revenue Fund	102,280
Community Center Grant Special Revenue Fund	46

The City is in the process of securing funding from CalTrans and the Federal Government to address the deficit fund equity.

L. New GASB Pronouncements: Management adopted the provisions of the following GASB Statements, which became effective during the year ended June 30, 2017.

- GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The pronouncement became effective, but did not have a material effect on the financial statements.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The pronouncement became effective, but did not have a material effect on the financial statements.
- GASB Statement No. 77 – *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The pronouncement became effective, but did not have a material effect on the financial statements.
- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The pronouncement became effective, but did not have a material effect on the financial statements.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The pronouncement became effective, but did not have a material effect on the financial statements.
- GASB Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The pronouncement became effective, but did not have a material effect on the financial statements, other than changes to the Pension Required Supplementary Information.

M. Fair Value Measurements:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – 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 investments. Cash and investments at June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments of the City	\$3,934,071
Cash and investments in Fiduciary Funds (separate statement):	
Cash and investments	<u>18,633</u>
Total cash and investments	<u><u>\$3,952,704</u></u>

Cash and investments as of June 30, 2017 consisted of the following:

Cash on hand	\$500
Deposits with financial institutions	936,530
Investments	<u>3,015,674</u>
Total cash and investments	<u><u>\$3,952,704</u></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.

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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
California Local Agency Investment Fund (LAIF)	N/A	None	None

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 the California Local Agency Investment Fund (LAIF) has an average maturity of 194 days. The City's investment in the Central San Joaquin Valley Risk Management Authority Investment Pool (CSJVRMA) has an average maturity of 982 days.

Investment	Total	Remaining Maturity (in Months) <hr/> 12 Months or Less
Money Market Fund	\$2,008,138	\$2,008,138
LAIF	378,824	378,824
Central San Joaquin Valley Risk Management Authority Investment Pool	<hr/> 628,712	<hr/> 628,712
	<hr/> <u>\$3,015,674</u>	<hr/> <u>\$3,015,674</u>

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the City's name.

Investment in LAIF: The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Investment in 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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2– CASH AND INVESTMENTS (Continued)

Investment	Minimum Legal Rating	Not Rated	Total
Money Market Fund	AAAm		\$2,008,138
LAIF	N/A	\$378,824	378,824
Central San Joaquin Valley Risk Management Authority Investment Pool	N/A	628,712	628,712
		<u>\$ 1,007,536</u>	<u>\$ 3,015,674</u>

Fair Value Hierarchy: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Local Agency Investment Fund, money market fund and Central San Joaquin Valley Risk Management Authority Pool are classified as exempt in the fair value hierarchy, as they are valued at amortized cost, which is exempt from being classified under GASB 72.

<p style="text-align: center;">CITY OF SUTTER CREEK NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2017</p>

NOTE 3 – INTERFUND TRANSACTIONS
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All due to/from other funds represent temporary loans from the General Fund to cover cash flow shortfalls and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2017, interfund balances were as follows:

Due To	Due From	Amount Owed
Special Revenue Funds		
Traffic Enhancement Activity	General Fund	\$101,874
Badger Street Bridge Grant	General Fund	446,514
		<u>\$548,388</u>

The City had the following transfers in/out for the year ended June 30, 2017:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Wastewater Enterprise Fund	\$9,989 (a) & (c)
	Nonmajor Governmental Funds	52,323 (c)
Nonmajor Governmental Funds	General Fund	54,837 (b)
		<u>\$117,149</u>

(a) Transfer for capital projects

(b) Transfer for funding operations

(c) Transfer for funding compensated absences reserve

<p style="text-align: center;">CITY OF SUTTER CREEK NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2017</p>

NOTE 4 – CAPITAL ASSETS

Governmental activities capital assets activities for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$1,287,461	\$420,000	\$1,707,461
Construction in progress	3,166,179	1,855,577	5,021,756
Total capital assets, not being depreciated	4,453,640	2,275,577	6,729,217
Capital assets, being depreciated:			
Buildings and improvements	3,723,388	430,000	4,153,388
Infrastructure	2,934,706		2,934,706
Machinery and equipment	398,940		398,940
Total capital assets being depreciated	7,057,034	430,000	7,487,034
Less accumulated depreciation for:			
Buildings and improvements	(3,365,763)	(34,202)	(3,399,965)
Infrastructure	(250,298)	(97,824)	(348,122)
Machinery and equipment	(342,257)	(12,522)	(354,779)
Total accumulated depreciation	(3,958,318)	(144,548)	(4,102,866)
Capital assets being depreciated, net	3,098,716	285,452	3,384,168
Governmental Activities capital assets, net	\$7,552,356	\$2,561,029	\$10,113,385

<p style="text-align: center;">CITY OF SUTTER CREEK NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2017</p>

NOTE 4 – CAPITAL ASSETS (Continued)
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Business-type capital assets activities for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Business-type Activities			
Capital assets, not being depreciated:			
Land	\$596,362		\$596,362
Total capital assets, not being depreciated	596,362		596,362
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	\$136,942	1,859,727
Machinery and equipment	124,561	2,303	126,864
Total capital assets being depreciated	4,345,412	139,245	4,484,657
Less accumulated depreciation for:			
Buildings and improvements	(328,789)		(328,789)
Wastewater facilities	(1,439,344)	(39,473)	(1,478,817)
Sewer treatment plant	(1,055,438)	(34,945)	(1,090,383)
Machinery and equipment	(121,796)	(3,107)	(124,903)
Total accumulated depreciation	(2,945,367)	(77,525)	(3,022,892)
Capital assets being depreciated, net	1,400,045	61,720	1,461,765
Business-type Activities capital assets, net	\$1,996,407	\$61,720	\$2,058,127

The City's depreciation expense is charged to the Public Works function in the amount of \$144,548 for governmental activities. The City's depreciation expense is charged to the Wastewater program in the amount of \$77,525 for business-type activities.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 – LONG-TERM DEBT

	Balance June 30, 2016	Retirements	Balance June 30, 2017	Due Within One Year
Business-Type Activities				
Loans Payable				
U.S. Department of Agriculture	\$596,000	(\$18,000)	\$578,000	\$18,000
Amador Regional Sanitation Authority	450,000		450,000	
Total Business-type Activity Debt	\$1,046,000	(\$18,000)	\$1,028,000	\$18,000

U.S. Department of Agriculture (USDA) Loans Payable: The City's Wastewater Enterprise Fund has a loan payable to the USDA Rural Development Program to finance certain capital improvements to the 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 loan matures May 2037, and the source of repayment is the Wastewater Enterprise Fund. The scheduled annual minimum debt service requirements at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$18,000	\$26,010	\$44,010
2019	19,000	25,200	44,200
2020	20,000	24,346	44,346
2021	21,000	23,546	44,546
2022	22,000	22,500	44,500
2023-2027	125,000	96,752	221,752
2028-2032	157,000	65,882	222,882
2033-2037	196,000	27,272	223,272
	<u>\$578,000</u>	<u>\$311,508</u>	<u>\$889,508</u>

Amador Regional Sanitation Authority (ARSA) Loans Payable: The City participates as 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.

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 10 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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 – LONG-TERM DEBT (Continued)

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 requested a delay from ARSA in the repayment schedule. The most recent deferral approved by ARSA grants the City a delay until August 2018. On August 30, 2017, ARSA Governing Board approved an extension of the commencement date of repayment of interest and principal to begin on August 31, 2018.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

Plan Description: For employees who retired prior to July 1, 2012, and employees hired 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 other post-employment benefits (OPEB). There are currently three retirees, with one participating in the City-sponsored medical plan.

Funding Policy: The City Council did not prefund the plan in the current year. The City Council will reviews the funding requirements and policy annually.

The annual required contribution (ARC) was determined as part of a July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 2.0% investment rate of return, (b) 3.0% projected annual salary increase, (c) 2.75% general inflation increases, and (d) healthcare cost trend rates 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. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a fixed 30 year closed amortization period.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

During the fiscal year ended June 30, 2017, the City recorded the net OPEB obligation, representing the difference between the ARC and contributions as presented below:

Annual required contribution	\$6,450
Interest on net OPEB obligation	295
Adjustment to annual required contribution	(425)
Annual OPEB cost (expense)	6,320
Contributions made (premium payments)	(3,780)
Increase in net OPEB obligation	2,540
Net OPEB obligation, beginning of year	15,866
Net OPEB obligation, end of year	<u>\$18,406</u>

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan and the net OPEB obligation for the last three fiscal years are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$7,486	\$3,150	42%	\$12,160
6/30/2016	7,486	3,780	50%	15,866
6/30/2017	6,320	3,780	60%	18,406

NOTE 7 – NET POSITION AND FUND BALANCE

Fund Balance: 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 prepaid 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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – NET POSITION AND FUND BALANCE (Continued)

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 Council establishes, modifies 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.

Net Position: The government-wide financial statements utilize a net position presentation. Net Position is categorized as follows:

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 – 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 – This category represents net position of the City not restricted for any project or other purpose.

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

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Badger Street Bridge Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Street and bridge projects			\$525,863	525,863
Public safety projects			40,089	40,089
Community projects			259,529	259,529
Total Restricted			825,481	825,481
Unassigned	\$1,607,459	(\$638,302)	(102,326)	866,831
Total Fund Balances	\$1,607,459	(\$638,302)	\$723,155	\$1,692,312

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – NET POSITION AND FUND BALANCE (Continued)

The City has continued its approach in budgeting expenses and anticipating revenues. The City set aside 3% of its General Fund revenues this fiscal year to budget a reserve. The balance as of June 30, 2017 is \$115,476. The City also put \$10,000 towards a general savings account to help weather any future economic headwinds. The balance as of June 30, 2017 is \$20,000. In fiscal year 2017, the City also set aside a reserve to pay off its compensated absences balance. At June 30, 2017, the balance was \$31,067.

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police) and Miscellaneous (all other) Employee Pension Rate Plans. The City’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	<i>City Miscellaneous Plan</i>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 3.0%	1.0% to 2.5%
Required employee contribution rates	8.0%	6.25%
Required employer contribution rates	12.657%	6.555%

	<i>City Safety Plan</i>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9.0%	11.5%
Required employer contribution rates	19.536%	12.082%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$188,019 in fiscal year 2017.

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

<p style="text-align: center;">CITY OF SUTTER CREEK NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2017</p>

NOTE 8 – PENSION PLAN (Continued)
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For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>City Safety Plan</u>
Contributions - employer	\$113,766
	<u>City Miscellaneous Plan</u>
Contributions - employer	\$172,817
Total	<u>\$286,583</u>

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

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
City Safety Plan	\$1,350,810
City Miscellaneous Plan	<u>1,756,085</u>
Total Net Pension Liability	<u>\$3,106,895</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

	<u>City Safety Plan</u>
Proportion - June 30, 2015	0.02595%
Proportion - June 30, 2016	0.02608%
Change - Increase (Decrease)	<u>0.00013%</u>

	<u>City Miscellaneous Plan</u>
Proportion - June 30, 2015	0.05285%
Proportion - June 30, 2016	0.05055%
Change - Increase (Decrease)	<u>(0.00230%)</u>

For the year ended June 30, 2017, the City recognized pension expense of \$280,288. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$286,583	
Differences between actual and expected experience	5,674	\$9,437
Differences between actual and proportional contributions		55,788
Changes in assumptions		89,165
Net difference between projected and actual earnings on pension plan investments	453,722	
Adjustments due to differences in proportion	62,530	68,670
Total	<u>\$808,509</u>	<u>\$223,060</u>

\$286,583 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2018	(\$19,975)
2019	(367)
2020	201,459
2021	117,749

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
	Contract COLA up to 2.75% until Purchasing Power
Post Retirement Benefit Increase	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

(4) All of the City's plans for miscellaneous and safety employed the same assumptions

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2007, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 –PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% is used this period.

(b) An expected inflation of 3.0% is used this period.

<p style="text-align: center;">CITY OF SUTTER CREEK NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2017</p>

NOTE 8 –PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>City Safety Plan</u>
1% Decrease	6.65%
Net Pension Liability	\$2,038,549
Current Discount Rate	7.65%
Net Pension Liability	\$1,350,810
1% Increase	8.65%
Net Pension Liability	\$786,247
	<u>City Miscellaneous Plan</u>
1% Decrease	6.65%
Net Pension Liability	\$2,583,559
Current Discount Rate	7.65%
Net Pension Liability	\$1,756,085
1% Increase	8.65%
Net Pension Liability	\$1,072,219

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9 – 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 - \$4,000,000	California Affiliated Risk Management Authorities (CARMA)	
\$4,000,000 - \$10,000,000	AmTrust Reinsurance Group via CARMA	Purchased Insurance
\$10,000,001 - \$15,000,000	Colony Natl Insurance Co. via CARMA	Purchased Insurance
WORKERS COMPENSATION:		
\$10,000	Self Insurer	City funds
\$10,001 - \$500,000	Central San Joaquin Valley Risk Management Authority	Shared risk pool
\$500,001 - \$5,000,000	Local Agency Workers' Comp Excess JPA (LAWCX)	Excess Pool
\$5,000,001 - \$50,000,000	CSAC Excess Insurance Authority, via CSJVRMA	Purchased Insurance

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.

CITY OF SUTTER CREEK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions, when finally adjudicated, will not have a material adverse effect on the financial condition of the City.

The City participates in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government.

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 \$29,510 for various vendors.

REQUIRED SUPPLEMENTARY INFORMATION

<p align="center">CITY OF SUTTER CREEK REQUIRED SUPPLEMENTAL INFORMATION For the Year Ended June 30, 2017</p>
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Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	City Miscellaneous Plan	City Miscellaneous Plan	City Miscellaneous Plan
Measurement date	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	0.02113%	0.05285%	0.05055%
Plan's proportion share of the Net Pension Liability (Asset)	\$1,314,608	\$1,449,891	\$1,756,085
Plan's Covered Payroll	\$324,968	\$299,794	\$467,495
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	370.99%	483.63%	375.64%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.99%	75.77%	71.43%
Plan's Proportionate Share of Aggregate Employer Contributions	\$125,929	\$158,803	\$172,817
	City Safety Plan	City Safety Plan	City Safety Plan
Measurement date	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	0.01528%	0.02608%	0.02608%
Plan's proportion share of the Net Pension Liability (Asset)	\$950,642	\$1,069,197	\$1,069,197
Plan's Covered Payroll	\$352,448	\$364,745	\$269,693
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	217.54%	293.14%	396.45%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.13%	77.37%	73.34%
Plan's Proportionate Share of Aggregate Employer Contributions	\$96,145	\$103,268	\$113,766

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF SUTTER CREEK
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2017

Cost-Sharing Multiple Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year	City Miscellaneous Plan		
	2015	2016	2017
Actuarially determined contribution	\$125,929	\$158,803	\$172,817
Contributions in relation to the actuarially determined contributions	(125,929)	(158,803)	(172,817)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$299,794	\$467,495	\$482,527
Contributions as a percentage of covered payroll	42.01%	33.97%	35.81%

Fiscal year	City Safety Plan		
	2015	2016	2017
Actuarially determined contribution	\$96,145	\$103,268	\$113,766
Contributions in relation to the actuarially determined contributions	(96,145)	(103,268)	(113,766)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$364,745	\$269,693	\$272,978
Contributions as a percentage of covered payroll	26.36%	38.29%	41.68%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age		
Amortization method	Level percentage of payroll, closed		
Remaining amortization period	30 years		
Asset valuation method	5-year smoothed market		
Inflation	2.75%		
Salary increases	Varies by Entry Age and Service		
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	7.65%, net of pension plan investment expense, including inflation	7.65%, net of pension plan investment expense, including inflation
Retirement age	59 yrs. Misc., 54 yrs. Safety	50 & 52 & 55 yrs. Misc., 50 yrs. Safety	50 & 52 & 55 yrs. Misc., 50 yrs. Safety
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 5 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

<p align="center">CITY OF SUTTER CREEK REQUIRED SUPPLEMENTAL INFORMATION For the Year Ended June 30, 2017</p>
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City of Sutter Creek
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$0	\$49,137	\$49,137	0%	\$870,812	5.6%
7/1/2015	0	73,930	73,930	0%	311,019	23.8%

SUPPLEMENTARY INFORMATION

CITY OF SUTTER CREEK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Gas Tax, Streets & Sidewalks Fund	Crestview Lighting District Fund	Cemetery Fund	FEMA Fund
ASSETS				
Cash and investments	\$49,371	\$161	\$4,002	\$1,358
Accounts receivable		280		
TOTAL ASSETS	<u>\$49,371</u>	<u>\$441</u>	<u>\$4,002</u>	<u>\$1,358</u>
LIABILITIES				
Accounts payable	\$7,592	\$116	\$102	
Due to other funds				
TOTAL LIABILITIES	<u>7,592</u>	<u>116</u>	<u>102</u>	
FUND BALANCE (DEFICIT)				
Restricted	41,779	325	3,900	\$1,358
Unassigned				
TOTAL FUND BALANCES (DEFICIT)	<u>41,779</u>	<u>325</u>	<u>3,900</u>	<u>1,358</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$49,371</u>	<u>\$441</u>	<u>\$4,002</u>	<u>\$1,358</u>

SPECIAL REVENUE FUNDS

AB 1600 Fund	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Traffic Enhancement Activity Fund
\$97,462	\$38,731	\$33,022	\$67	
\$97,462	\$38,731	\$33,022	\$67	
				\$406
				101,874
				102,280
\$97,462	\$38,731	\$33,022	\$67	(102,280)
97,462	38,731	33,022	67	(102,280)
\$97,462	\$38,731	\$33,022	\$67	

(Continued)

CITY OF SUTTER CREEK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Community Center Grant Fund	General Plan Update Fund	ACRA Regional Rec. Fees Fund	Broad Street Drain Fund
ASSETS				
Cash and investments	\$3,302	\$6	\$155,120	\$1,255
Accounts receivable	959			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$4,261</u></u>	<u><u>\$6</u></u>	<u><u>\$155,120</u></u>	<u><u>\$1,255</u></u>
LIABILITIES				
Accounts payable	\$4,307			
Due to other funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,307</u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE (DEFICIT)				
Restricted		\$6	\$155,120	\$1,255
Unassigned	(46)			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICIT)	<u>(46)</u>	<u>6</u>	<u>155,120</u>	<u>1,255</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u><u>\$4,261</u></u>	<u><u>\$6</u></u>	<u><u>\$155,120</u></u>	<u><u>\$1,255</u></u>

SPECIAL REVENUE FUNDS			
Central Eureka Mine Project Fund	Sutter Creek Bridge Replacement Fund	Traffic Mitigation Fund	Total Nonmajor Governmental Funds
\$2,650	\$222,426	\$268,338	\$877,271 1,239
<u>\$2,650</u>	<u>\$222,426</u>	<u>\$268,338</u>	<u>\$878,510</u>
\$1	\$24,944	\$16,013	\$53,481 101,874
<u>1</u>	<u>24,944</u>	<u>16,013</u>	<u>155,355</u>
2,649	197,482	252,325	825,481 (102,326)
<u>2,649</u>	<u>197,482</u>	<u>252,325</u>	<u>723,155</u>
<u>\$2,650</u>	<u>\$222,426</u>	<u>\$268,338</u>	<u>\$878,510</u>

CITY OF SUTTER CREEK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Gas Tax, Streets & Sidewalks Fund	Crestview Lighting District Fund	Cemetery Fund	FEMA Fund
GOVERNMENTAL REVENUES				
Taxes and special assessments	\$55,586			
Licenses, permits and fees	425			
Interest and investment income			\$1	\$3
Intergovernmental revenues	20,749			
Charges for services		\$931	2,248	
Total Revenues	<u>76,760</u>	<u>931</u>	<u>2,249</u>	<u>3</u>
EXPENDITURES				
Current:				
General government				
Public works and facilities	141,433	1,648	621	11,186
Cultural and recreation	627		1,734	
Capital outlay	<u>15,690</u>			
Total Expenditures	<u>157,750</u>	<u>1,648</u>	<u>2,355</u>	<u>11,186</u>
OTHER FINANCING SOURCES				
Transfers in				
Transfers out	<u>(51,446)</u>		<u>(71)</u>	
Total Other Financing Sources	<u>(51,446)</u>		<u>(71)</u>	
NET CHANGE IN FUND BALANCE	(132,436)	(717)	(177)	(11,183)
FUND BALANCES (DEFICITS) BEGINNING OF YEAR	<u>174,215</u>	<u>1,042</u>	<u>4,077</u>	<u>12,541</u>
FUND BALANCES (DEFICITS) END OF YEAR	<u><u>\$41,779</u></u>	<u><u>\$325</u></u>	<u><u>\$3,900</u></u>	<u><u>\$1,358</u></u>

SPECIAL REVENUE FUNDS

AB 1600 Fund	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Traffic Enhancement Activity Fund
\$68	\$18	\$8		
	36,449			\$22,753
44,399				
44,467	36,467	8		22,753
				25
				22,182
				22,207
44,467	36,467	8		546
52,995	2,264	33,014	\$67	(102,826)
\$97,462	\$38,731	\$33,022	\$67	(\$102,280)

(Continued)

CITY OF SUTTER CREEK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Community Center Grant Fund	General Plan Update Fund	ACRA Regional Rec. Fees Fund	Broad Street Drain Fund
GOVERNMENTAL REVENUES				
Taxes and special assessments				
Licenses, permits and fees				
Interest and investment income			\$101	
Intergovernmental revenues				
Charges for services	\$26,421		65,700	
Total Revenues	26,421		65,801	
EXPENDITURES				
Current:				
General government	24,025			
Public works and facilities			2,279	\$9
Cultural and recreation	52,658		74	
Capital outlay	5,033			
Total Expenditures	81,716		2,353	9
OTHER FINANCING SOURCES				
Transfers in	54,837			
Transfers out	(806)			
Total Other Financing Sources	54,031			
NET CHANGE IN FUND BALANCE	(1,264)		63,448	(9)
FUND BALANCES (DEFICITS) BEGINNING OF YEAR	1,218	\$6	91,672	1,264
FUND BALANCES (DEFICITS) END OF YEAR	(\$46)	\$6	\$155,120	\$1,255

SPECIAL REVENUE FUNDS			
Central Eureka Mine Project Fund	Sutter Creek Bridge Replacement Fund	Traffic Mitigation Fund	Total Nonmajor Governmental Funds
			\$55,586
			425
\$1	\$38	\$160	398
	15,906		95,857
		31,184	170,883
1	15,944	31,344	323,149
		11,749	35,774
			157,201
			55,093
	82,723		125,628
	82,723	11,749	373,696
			54,837
			(52,323)
			2,514
1	(66,779)	19,595	(48,033)
2,648	264,261	232,730	771,188
\$2,649	\$197,482	\$252,325	\$723,155

CITY OF SUTTER CREEK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL -
 GAS TAX, STREETS & SIDEWALKS SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
REVENUES:			
Taxes and special assessments	\$56,634	\$55,586	(\$1,048)
Licenses, permits and fees	14,000	425	(13,575)
Intergovernmental revenues		20,749	20,749
TOTAL REVENUES	<u>70,634</u>	<u>76,760</u>	<u>6,126</u>
EXPENDITURES:			
Current:			
Public works and facilities	129,110	141,433	(12,323)
Culture and recreation		627	(627)
Capital outlay	<u>135,000</u>	<u>15,690</u>	<u>119,310</u>
TOTAL EXPENDITURES	<u>264,110</u>	<u>157,750</u>	<u>106,360</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		<u>(51,446)</u>	<u>(51,446)</u>
TOTAL OTHER FINANCING SOURCES (USES)		<u>(51,446)</u>	<u>(51,446)</u>
NET CHANGE IN FUND BALANCE	(193,476)	(132,436)	61,040
FUND BALANCES BEGINNING OF YEAR	<u>174,215</u>	<u>174,215</u>	
FUND BALANCES, END OF YEAR	<u><u>(\$19,261)</u></u>	<u><u>\$41,779</u></u>	<u><u>\$61,040</u></u>

AGENCY FUNDS

CITY OF SUTTER CREEK
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>Monteverde Store Fund</u>				
Assets				
Cash and investments	\$2,609	\$128		\$2,737
	<u>\$2,609</u>	<u>\$128</u>		<u>\$2,737</u>
Liabilities				
Accounts payable	\$2,609	\$128		\$2,737
Total Liabilities	<u>\$2,609</u>	<u>\$128</u>		<u>\$2,737</u>
<u>Knights Foundry Fund</u>				
Assets				
Cash and investments	\$44,334		\$31,536	\$12,798
Total Assets	<u>\$44,334</u>		<u>\$31,536</u>	<u>\$12,798</u>
Liabilities				
Accounts payable	\$33	\$2,234		\$2,267
Due to other governments	44,301		\$33,770	10,531
Total Liabilities	<u>\$44,334</u>	<u>\$2,234</u>	<u>\$33,770</u>	<u>\$12,798</u>
<u>Community Facilities District Fund</u>				
Assets				
Cash and investments	\$927	\$1		\$928
Total Assets	<u>\$927</u>	<u>\$1</u>		<u>\$928</u>
Liabilities				
Accounts payable	\$927	\$1		\$928
Total Liabilities	<u>\$927</u>	<u>\$1</u>		<u>\$928</u>

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>ARSA Funds</u>				
Assets				
Cash and investments		\$2,170		\$2,170
Due from other governments	\$160		\$160	
Total Assets	<u>\$160</u>	<u>\$2,170</u>	<u>\$160</u>	<u>\$2,170</u>
Liabilities				
Accounts payable	\$160	\$2,170	\$160	\$2,170
Total Liabilities	<u>\$160</u>	<u>\$2,170</u>	<u>\$160</u>	<u>\$2,170</u>
<u>Community Trust Fund</u>				
Assets				
Cash and investments	(\$2)	\$2		
Total Assets	<u>(\$2)</u>	<u>\$2</u>		
Liabilities				
Due to other governments	(\$2)	\$2		
Total Liabilities	<u>(\$2)</u>	<u>\$2</u>		
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$47,868	\$2,301	\$31,536	\$18,633
Due from other governments	160		160	
Total Assets	<u>\$48,028</u>	<u>\$2,301</u>	<u>\$31,696</u>	<u>\$18,633</u>
<u>Liabilities</u>				
Accounts payable	\$3,729	\$4,533	\$160	\$8,102
Due to other governments	44,299	2	33,770	10,531
Total Liabilities	<u>\$48,028</u>	<u>\$4,535</u>	<u>\$33,930</u>	<u>\$18,633</u>

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