

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

June 30, 2010



CITY OF SUTTER CREEK, CALIFORNIA

Audited Financial Statements and Supplemental Information

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Sutter Creek, California

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sutter Creek, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sutter Creek, California's management.

As discussed in Note A to the financial statements, management has not recorded capital assets related to its governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that the governmental activities capital assets be capitalized and depreciated, which would increase the assets, net assets, and either increase or decrease expenses of the governmental activities. In addition, the amounts reported for business-type capital assets are not supported by an accurate asset listing. The amount by which these departures would affect the assets, net assets, and expenses of the governmental activities and business-type activities is not reasonably determinable.

The City has not adopted Governmental Accounting Standards Board Statement (GASBS) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and accordingly has not recorded a liability for post-employment benefits. Accounting principles generally accepted in the United States of America require the liability to be recorded as of June 30, 2010, which would decrease net assets and increase expenses of the City. The amount by which this departure would affect the net assets and expenses of the City is not reasonably determinable. Disclosures required by generally accepted accounting principles related to the post-employment benefits and related liability have also been omitted.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note M to the financial statements, the City has suffered recurring losses in its General Fund, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note M. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Because the City has not provided certain records, supporting data and account reconciliations related to accounts receivable, due from other governments, developer deposits payable, grants and capital assets, we were unable to form an opinion regarding the amounts recorded in these financial statement line items, as well as line items affected by these areas, such as revenues, deferred revenues, fund balance, net assets and depreciation expense in the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

To the City Council  
City of Sutter Creek, California

Because we were unable to apply other auditing procedures to satisfy ourselves about the various account balances, as discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The combining and individual Nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Sutter Creek, California.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

*Richardson & Company*

March 20, 2012

## **BASIC FINANCIAL STATEMENTS**

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CITY OF SUTTER CREEK  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,723,118		\$ 1,723,118
Accounts receivable, net of allowance for doubtful accounts	292,970	\$ 44,926	337,896
Interest receivable	3,629	710	4,339
Due from other government agencies	120,176	547,441	667,617
Prepaid expenses			
Internal balances	334,741	(334,741)	
Total current assets	<u>2,474,634</u>	<u>258,336</u>	<u>2,732,970</u>
Noncurrent assets:			
Capital assets net of accumulated depreciation			
Non-depreciable		621,362	621,362
Depreciable		1,907,047	1,907,047
		<u>2,528,409</u>	<u>2,528,409</u>
Total assets	<u>2,474,634</u>	<u>2,786,745</u>	<u>5,261,379</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	182,154	52,723	234,877
Accrued liabilities	72,633	24,077	96,710
Interest payable		65,689	65,689
Deposit payable	170,889	1,731	172,620
Unearned revenue			
Current portion of long-term liabilities	67,824	24,721	92,545
Total current liabilities	<u>493,500</u>	<u>168,941</u>	<u>662,441</u>
Long-term liabilities:			
Notes payable		1,123,000	1,123,000
Compensated absences	3,037	4,594	7,631
Total long-term liabilities	<u>3,037</u>	<u>1,127,594</u>	<u>1,130,631</u>
Total liabilities	<u>496,537</u>	<u>1,296,535</u>	<u>1,793,072</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,841,409	1,841,409
Restricted	3,784,402		3,784,402
Unrestricted	(1,806,305)	(351,199)	(2,157,504)
Total net assets	<u>\$ 1,978,097</u>	<u>\$ 1,490,210</u>	<u>\$ 3,468,307</u>

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

CITY OF SUTTER CREEK  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
Governmental Activities:						
General government and administrative services	\$ 269,952	\$ 596,119	\$ 5,000	\$ 331,167		\$ 331,167
Public safety	1,079,503	54,895	100,853	(923,755)		(923,755)
Culture and recreation	132,842	35,555		(97,287)		(97,287)
Public works	1,010,715	12,597	84,320	(913,798)		(913,798)
Community development	81,457		181,359	99,902		99,902
Total governmental activities	<u>2,574,469</u>	<u>699,166</u>	<u>371,532</u>	<u>(1,503,771)</u>		<u>(1,503,771)</u>
Business-type activities:						
Water	1,099,007	1,313,726			\$ 214,719	214,719
Interest on long-term debt	39,601				(39,601)	(39,601)
Total business-type activities	<u>1,138,608</u>	<u>1,313,726</u>			<u>175,118</u>	<u>175,118</u>
Total government	<u>\$ 3,713,077</u>	<u>\$ 2,012,892</u>	<u>\$ 371,532</u>	<u>\$ -</u>	<u>(1,503,771)</u>	<u>175,118</u>
General revenues						
Taxes:						
Property taxes				709,049		709,049
Sales and use taxes				208,638		208,638
Transient occupancy tax				153,700		153,700
Franchise tax				62,304		62,304
Gas taxes				54,514		54,514
Motor vehicle in-lieu				4,650		4,650
Investment income				31,203	5,482	36,685
Rental income				5,037		5,037
Miscellaneous				35,999		35,999
Transfers				15,500	(15,500)	
Total general revenues and transfers				<u>1,280,594</u>	<u>(10,018)</u>	<u>1,270,576</u>
Changes in net assets				(223,177)	165,100	(58,077)
Net assets - beginning, as previously reported				2,201,274	1,647,300	3,848,574
Restatement					(322,190)	(322,190)
Net assets - beginning, as restated				<u>2,201,274</u>	<u>1,325,110</u>	<u>3,526,384</u>
Net assets - ending				<u>\$ 1,978,097</u>	<u>\$ 1,490,210</u>	<u>\$ 3,468,307</u>

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

## CITY OF SUTTER CREEK

BALANCE SHEET  
GOVERNMENTAL FUNDS

As of June 30, 2010

	Major Funds			Nonmajor	Total
	General	Bypass	Traffic	Governmental	Governmental
	Fund	Relinquishment	Mitigation	Funds	Funds
		Fund	Funds		
<b>ASSETS</b>					
Cash and cash equivalents		\$ 330,460	\$ 388,585	\$ 1,004,073	\$ 1,723,118
Accounts receivable, net of allowance for doubtful accounts	\$ 225,950		59,712	7,308	292,970
Due from other governmental agencies	85,079	19,262		15,835	120,176
Interest receivable	160	2,271	460	738	3,629
Due from other funds		2,140,566			2,140,566
<b>TOTAL ASSETS</b>	<b>\$ 311,189</b>	<b>\$ 2,492,559</b>	<b>\$ 448,757</b>	<b>\$ 1,027,954</b>	<b>\$ 4,280,459</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 120,325			\$ 41,615	\$ 161,940
Accrued liabilities	84,843			1,105	85,948
Due to other funds	1,120,200		\$ 102,169	566,537	1,788,906
Deferred revenue	32,423				32,423
Deposits payable	170,889				170,889
<b>TOTAL LIABILITIES</b>	<b>1,528,680</b>		<b>102,169</b>	<b>609,257</b>	<b>2,240,106</b>
<b>FUND BALANCES</b>					
Restricted		\$ 2,492,559	346,588	945,255	3,784,402
Committed				14,061	14,061
Unassigned	(1,217,491)			(540,619)	(1,758,110)
<b>TOTAL FUND BALANCES</b>	<b>(1,217,491)</b>	<b>2,492,559</b>	<b>346,588</b>	<b>418,697</b>	<b>2,040,353</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 311,189</b>	<b>\$ 2,492,559</b>	<b>\$ 448,757</b>	<b>\$ 1,027,954</b>	<b>\$ 4,280,459</b>

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 ASSETS

As of June 30, 2010

Total Governmental Fund Balances	\$ 2,040,353
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	32,423
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	(52,639)
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the government-wide statement of net assets.	<u>(42,040)</u>
Net Assets of Governmental Activities	<u>\$ 1,978,097</u>

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

## CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Major Funds			Nonmajor	Total
	General	Bypass	Traffic	Governmental	Governmental
	Fund	Relinquishment	Mitigation	Funds	Funds
		Fund	Funds		
REVENUES					
Taxes and assessments	\$ 1,086,905			\$ 54,514	\$1,141,419
Licenses and permits	79,791				79,791
Fines and penalties	11,585				11,585
Interest and investment income	1,783	\$ 20,932	\$ 3,645	4,843	31,203
Intergovernmental revenues	25,169			366,532	391,701
Charges for services	580,303			14,597	594,900
Other revenue	38,155			14,615	52,770
TOTAL REVENUES	<u>1,823,691</u>	<u>20,932</u>	<u>3,645</u>	<u>455,101</u>	<u>2,303,369</u>
EXPENDITURES					
General government and administration	291,286				291,286
Public safety	923,427			126,896	1,050,323
Public works	788,377			222,338	1,010,715
Community development	68,942	12,515			81,457
Cultural and recreation	132,842				132,842
Debt service:					
Principal			4,500		4,500
TOTAL EXPENDITURES	<u>2,204,874</u>	<u>12,515</u>	<u>4,500</u>	<u>349,234</u>	<u>2,571,123</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(381,183)	8,417	(855)	105,867	(267,754)
OTHER FINANCING SOURCES (USES)					
Transfers in	43,804			586,363	630,167
Transfers out	(13,139)	(601,528)			(614,667)
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,665</u>	<u>(601,528)</u>		<u>586,363</u>	<u>15,500</u>
NET CHANGE IN FUND BALANCES	(350,518)	(593,111)	(855)	692,230	(252,254)
Fund balances, beginning of year	(866,973)	3,085,670	347,443	(273,533)	2,292,607
FUND BALANCES, END OF YEAR	<u>\$ (1,217,491)</u>	<u>\$ 2,492,559</u>	<u>\$ 346,588</u>	<u>\$ 418,697</u>	<u>\$2,040,353</u>

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (252,254)

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

Some receivables are deferred in the governmental funds because the amounts  
do not represent current financial resources that are recognized under the  
accrual basis in the statement of activities.

Deferred revenue recognized 32,423

Repayment of bond principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net assets.

4,500

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

21,334

Internal service funds are used by management to charge the costs of certain  
activities to other funds. The net revenues of certain activities of internal  
service funds is reported with governmental activities.

(29,180)

Change in Net Assets of Governmental Activities

\$ (223,177)

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

CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,040,149	\$ 1,040,149	\$ 1,086,905	\$ 46,756
Licenses and permits	69,133	69,133	79,791	10,658
Intergovernmental	27,000	27,000	25,169	(1,831)
Charges for services	154,850	154,850	113,753	(41,097)
Fines and forfeitures	15,000	15,000	11,585	(3,415)
Use of money and property	15,000	15,000	1,783	(13,217)
Other revenue	17,500	17,500	38,155	20,655
Total revenues	1,338,632	1,338,632	1,357,141	18,509
Expenditures:				
Current:				
General government and administration	309,772	309,772	291,286	18,486
Public safety	951,164	951,164	923,427	27,737
Public works	221,263	221,263	311,131	(89,868)
Community development	69,370	69,370	68,942	428
Culture and recreation	125,784	125,784	132,842	(7,058)
Total expenditures	1,677,353	1,677,353	1,727,628	(50,275)
Excess (deficiency) of revenues over expenditures	(338,721)	(338,721)	(370,487)	(31,766)
Other financing sources (uses):				
Transfers in	15,000	43,304	43,804	500
Transfers out			(13,139)	(13,139)
Total other financing uses	15,000	43,304	30,665	(12,639)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(323,721)	(295,417)	(339,822)	(44,405)
Fund balances - beginning of year	(866,973)	(866,973)	(866,973)	
Fund balances - end of year	\$ (1,190,694)	\$ (1,162,390)	\$ (1,206,795)	\$ (44,405)

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

## CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 15,000	\$ 15,000	\$ 20,932	\$ 5,932
Total revenues	15,000	15,000	20,932	5,932
Expenditures:				
Current:				
Community development		16,603	12,515	4,088
Total expenditures		16,603	12,515	4,088
Excess (deficiency) of revenues over expenditures	15,000	(1,603)	8,417	10,020
Other financing sources (uses):				
Transfers out	(15,000)	(732,229)	(601,528)	130,701
Total other financing uses	(15,000)	(732,229)	(601,528)	130,701
Excess (deficiency) of revenues and other sources over expenditures and other uses		(733,832)	(593,111)	140,721
Fund balances - beginning of year	3,085,670	3,085,670	3,085,670	
Fund balances - end of year	\$ 3,085,670	\$ 2,351,838	\$ 2,492,559	\$ 140,721

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



## CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,841	\$ 1,841	\$ 3,645	\$ 1,804
Total revenues	1,841	1,841	3,645	1,804
Expenditures:				
Community development				
Debt service:				
Principal			4,500	
Total expenditures			4,500	
Excess (deficiency) of revenues over expenditures	1,841	1,841	(855)	1,804
Other financing sources (uses):				
Transfers out	(235)	(235)		235
Total other financing uses	(235)	(235)		235
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,606	1,606	(855)	(2,461)
Fund balances - beginning of year	347,443	347,443	347,443	
Fund balances - end of year	<u>\$ 349,049</u>	<u>\$ 349,049</u>	<u>\$ 346,588</u>	<u>\$ (2,461)</u>

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

CITY OF SUTTER CREEK  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

As of June 30, 2010

	Major Enterprise Fund			Governmental Activities
	Wastewater Fund	Noble Ranch Golf Fund	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Accounts receivable, net	\$ 19,926	\$ 25,000	\$ 44,926	
Interest receivable	710		710	
Due from other governments	547,441		547,441	
<b>TOTAL CURRENT ASSETS</b>	<b>568,077</b>	<b>25,000</b>	<b>593,077</b>	
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Nondepreciable	596,362	25,000	621,362	
Depreciable	1,907,047		1,907,047	
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,503,409</b>	<b>25,000</b>	<b>2,528,409</b>	
<b>TOTAL ASSETS</b>	<b>3,071,486</b>	<b>50,000</b>	<b>3,121,486</b>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	52,723		52,723	\$ 20,214
Accrued liabilities	24,077		24,077	4,907
Due to other funds	264,266	51,022	315,288	36,372
Interest payable	65,689		65,689	
Deposits payable	1,731		1,731	
Current portion of long-term liabilities	24,721		24,721	
<b>TOTAL CURRENT LIABILITIES</b>	<b>433,207</b>	<b>51,022</b>	<b>484,229</b>	<b>61,493</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	4,594		4,594	
Long-term debt, due in more than one year	1,123,000		1,123,000	
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,127,594</b>		<b>1,127,594</b>	
<b>TOTAL LIABILITIES</b>	<b>1,560,801</b>	<b>51,022</b>	<b>1,611,823</b>	<b>61,493</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,816,409	25,000	1,841,409	
Unrestricted	(305,724)	(26,022)	(331,746)	(61,493)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,510,685</b>	<b>\$ (1,022)</b>	<b>1,509,663</b>	<b>\$ (61,493)</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(19,453)	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 1,490,210</b>	

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

CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Major Enterprise Fund			Governmental Activities
	Wastewater Fund	Noble Ranch Golf Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES				
Service charges	\$ 1,313,726		\$ 1,313,726	\$ 321,807
TOTAL OPERATING REVENUES	<u>1,313,726</u>		<u>1,313,726</u>	<u>321,807</u>
OPERATING EXPENSES				
Salaries and benefits	375,190		375,190	196,777
Operation and maintenance	620,755		620,755	173,663
Depreciation	83,609		83,609	
TOTAL OPERATING EXPENSES	<u>1,079,554</u>		<u>1,079,554</u>	<u>370,440</u>
OPERATING INCOME (LOSS)	<u>234,172</u>		<u>234,172</u>	<u>(48,633)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	5,482		5,482	
Interest expense	(39,601)		(39,601)	
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(34,119)</u>		<u>(34,119)</u>	
INCOME (LOSS) BEFORE TRANSFERS	200,053		200,053	(48,633)
TRANSFERS				
Transfers out	(15,500)		(15,500)	
TOTAL TRANSFERS	<u>(15,500)</u>		<u>(15,500)</u>	
CHANGE IN NET ASSETS	184,553		184,553	(48,633)
Net assets, beginning of year, as previously reported	1,648,322	\$ (1,022)	1,647,300	(12,860)
Restatements	(322,190)		(322,190)	
Net assets, beginning year, as restated	<u>1,326,132</u>	<u>(1,022)</u>	<u>1,325,110</u>	<u>(12,860)</u>
NET ASSETS, END OF YEAR	<u>\$ 1,510,685</u>	<u>\$ (1,022)</u>	<u>1,509,663</u>	<u>\$ (61,493)</u>
Change in net assets			\$ 184,553	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(19,453)</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 165,100</u>	

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

CITY OF SUTTER CREEK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Major Enterprise Fund			Governmental Activities
	Wastewater Fund	Noble Ranch Golf Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers	\$ 1,285,312		\$ 1,285,312	\$ 321,807
Cash paid to suppliers	(578,682)		(578,682)	(151,823)
Cash paid to employees and related benefits	(379,760)		(379,760)	(196,777)
Cash provided by operating activities	<u>326,870</u>		<u>326,870</u>	<u>(26,793)</u>
Cash Flows from Noncapital Financing Activities:				
Amounts received (paid) to other funds	(158,011)		(158,011)	26,793
Cash provided by noncapital financing activities	<u>(158,011)</u>		<u>(158,011)</u>	<u>26,793</u>
Cash Flows from Capital and Related Financing Activities				
Capital expenditures	(129,970)		(129,970)	
Debt principal paid	437,000		437,000	
Interest paid	26,088		26,088	
Cash used for capital and related financing activities	<u>333,118</u>		<u>333,118</u>	
Cash Flows from Investing Activities				
Interest received	<u>5,611</u>		<u>5,611</u>	
Decrease in cash and cash equivalents	508		507,588	
Cash and cash equivalents, beginning of year				
Cash and cash equivalents, end of year	<u>\$ 507,588</u>	<u>\$ -</u>	<u>\$ 507,588</u>	<u>\$ -</u>
Reconciliation of operating income from operations to cash provided by operating activities:				
Operating income	\$ 234,172		\$ 234,172	\$ (48,633)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	83,609		83,609	
(Increase) decrease in assets:				
Accounts receivable	519,027		519,027	1,090
Due from other governments	(547,441)		(547,441)	
Prepaid expenses	1,013		1,013	10,412
(Decrease) increase in liabilities:				
Accounts payable	16,983		16,983	5,431
Accrued expenses	24,077		24,077	4,907
Accrued compensated absences	(4,570)		(4,570)	
Cash provided by operating activities	<u>\$ 326,870</u>	<u>\$ -</u>	<u>\$ 326,870</u>	<u>\$ (26,793)</u>

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

CITY OF SUTTER CREEK

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

As of June 30, 2010

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 75,946
Due from other governments	<u>71,633</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 147,579</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 23,884
Due to other governments	19,262
Other accrued liabilities	2,801
Agency obligations	<u>101,632</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 147,579</u></u>

The accompanying notes are an integral part of this statement.

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF SUTTER CREEK, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. 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 deferred 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.

Bypass Relinquishment Fund – The Bypass Relinquishment Fund is used to account for costs associated with bringing a portion of the original State Route 49 relinquished to the City to a state of good repair.

Traffic Mitigation Fund – The Traffic Mitigation Fund is used to account for fees collected and costs necessary to mitigate the impact of new developments on the transportation system of the City.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

*GOVERNMENTAL FUNDS*

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

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

*PROPRIETARY FUNDS*

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

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

Fiduciary Funds

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the City's enterprise funds and internal service funds are charges to customers or other funds for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables: Property, sales, use, franchise, gas and transient occupancy taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 or 90 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

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.

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 60 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 60 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.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Cost records are not maintained in accordance with generally accepted accounting principles. Accordingly, any discrepancies, which may be material, cannot be accurately determined. Because cost records for governmental capital assets are not available, amounts for these assets are not reflected in these financial statements. While amounts are reported for business-type capital assets, a complete, accurate list has not been maintained that agrees to the amounts reported. The amount by which the capital assets may be misstated cannot be determined. Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are to be reflected as expenditure in the governmental fund, and the related assets are to be reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are to be recorded at their estimated fair market value on the date donated. At June 30, 2010, the City had not recorded donated assets.

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

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

It is the policy of the City to capitalize all land, building, improvements, equipment, and eventually 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.

Deferred and Unearned 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). Deferred 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 deferred because they were not received in the availability period are recognized for the government-wide presentation.

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

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. 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.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is prepared on the budgetary basis of accounting and does not include the development fees and corresponding planning expenditures totaling \$466,550 and \$477,246, respectively, that are included in the GAAP basis amounts.

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

Fund	Appropriations	Total Expenditures	Excess Expenditures
General Fund	\$ 1,677,353	\$ 1,727,628	\$ (50,275)
Nonmajor Special Revenue Funds:			
Traffic Enhancement Activity Fund	-	15,915	(15,915)
Gas Tax Fund	55,100	119,315	(64,215)
Crestview Lighting District Fund	-	523	(523)
HMGP-HAZMAT Grant Fund	-	10,884	(10,884)
Local Transportation Commission Fund	40,000	52,041	(12,041)
Central Eureka Mine Project Fund	-	5,257	(5,257)
Police Grant Fund	97,519	101,754	(4,235)
Sutter Creek Bridge Replacement Fund	-	18,403	(18,403)

CITY OF SUTTER CREEK, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deficit Fund Equity: The following funds have fund deficits at June 30, 2010:

Fund	Deficit
General Fund	\$ (1,217,491)
Nonmajor Special Revenue Funds:	
Hazard Mitigation Grant Program Fund	(92,204)
Caltrans Street Fund	(38,481)
AB1600 Fund	(16,128)
Central Eureka Mine Project Fund	(147,936)
Police Grants Fund	(1,151)
HOME Grant Fund	(5,542)
Community Center Grant Fund	(148,799)
General Plan Update Fund	(76,985)
RDA Formation Fund	(13,393)

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

New Pronouncements: GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets among state and local governments, particularly in the areas of recognition, initial measurement and amortization. This statement was effective for the fiscal year ending June 30, 2010 but will be implemented by the City in conjunction with performing an inventory of its capital assets and adjusting its capital asset amounts.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement was implemented as of June 30, 2010.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2010 are classified in the accompanying financial statements as follows:

	Government Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,723,118	\$ 75,946	\$ 1,799,064
	<u>\$ 1,723,118</u>	<u>\$ 75,946</u>	<u>\$ 1,799,064</u>



CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

As of June 30, 2010, the City's cash and investments consisted of the following:

Cash on hand	\$	1,010
Deposits in financial institutions		362,983
Total cash		<u>363,993</u>
Investments in Local Agency Investment Fund (LAIF)		1,229,177
Held by fiscal agent:		
U.S. Agency securities		205,894
Total investments		<u>1,435,071</u>
Total cash and investments	\$	<u>1,799,064</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
LAIF	N/A	None	None

The City did not comply with the provisions of California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

At June 30, 2010, the City held \$165,888 of U.S. Agency securities whose maturity exceeded the California Government Code maturity limit of five years. After the balance sheet date, the City sold the investments in order to be in compliance with the California Government Code and City investment policy. The US Agency security with a value of \$40,006 exceeded the City's policy, which states a maximum maturity of two years, but does not exceed the five year maturity limit under the California Government Code.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 203 days.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

Due to Other Funds	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF investment pool	\$ 1,229,177	\$ 1,229,177			
U.S. Agency Securities	205,894			\$ 40,006	\$ 165,888
	<u>\$ 1,435,071</u>	<u>\$ 1,229,177</u>	<u>\$ -</u>	<u>\$ 40,006</u>	<u>\$ 165,888</u>

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, and the actual ratings as of year-end for each investment type.

Due to Other Funds	Minimum Legal Rating	Total	Ratings as of Year End	
			AAA	Not Rated
LAIF	N/A	\$ 1,229,177		\$ 1,229,177
U.S. Agency Securities	AAA	205,894	\$ 205,894	
		<u>\$ 1,435,071</u>	<u>\$ 205,894</u>	<u>\$ 1,229,177</u>

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2010, the carrying amount of the City's deposits was \$362,983, and the bank balance was \$375,034. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$125,034 was collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code, but not in the City's name.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$69,555,776,591 managed by the State Treasurer. Of that amount, 5.42% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2010 were as follows:

Due to Other Funds	Due from Other Funds
	Bypass Relinquishment Fund
General Fund	\$ 1,120,200
Traffic Mitigation Fund	102,169
Non-major Special Revenue Funds	566,537
Wastewater Operations Fund	264,266
Non-Major Enterprise Fund	51,022
Internal Service Fund	36,372
	<u>\$ 2,140,566</u>

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

Transfers during the year ended June 30, 2010 were as follows:

Transfers Out	Transfers in		Total
	General Fund	Nonmajor Special Revenue	
General Fund		\$ 13,139	\$ 13,139
Bypass Relinquishment Fund	\$ 28,304	573,224	601,528
Wastewater Fund	15,500		15,500
	<u>\$ 43,804</u>	<u>\$ 586,363</u>	<u>\$ 630,167</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers were also made to various funds to cover deficit cash with interest earnings on the Bypass Relinquishment funds. See Note I for further discussion.

CITY OF SUTTER CREEK, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE D – CAPITAL ASSETS

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

	Balance at June 30, 2009	Additions	Retirements	Transfers	Balance at June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 596,362				\$ 596,362
Construction in progress	25,000				25,000
Total capital assets, not being depreciated	621,362				621,362
Capital assets, being depreciated:					
Buildings and improvements	311,294				311,294
Wastewater facilities	2,336,711				2,336,711
Sewer treatment plant	1,598,739	\$ 129,970			1,728,709
Machinery and equipment	64,850				64,850
Total capital assets, being depreciated	4,311,594	129,970	-	-	4,441,564
Less accumulated depreciation for:					
Buildings and improvements	(311,294)				(311,294)
Wastewater facilities	(1,347,808)	(40,828)			(1,388,636)
Sewer treatment plant	(781,306)	(42,781)			(824,087)
Machinery and equipment	(10,500)				(10,500)
Total accumulated depreciation	(2,450,908)	(83,609)	-	-	(2,534,517)
Capital assets being depreciated, net	1,860,686	46,361	-	-	1,907,047
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 2,482,048	\$ 46,361	\$ -	\$ -	\$ 2,528,409

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

NOTE E – LONG-TERM LIABILITIES

	Balance June 30, 2009	Additions	Payments	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Loan payable					
Amador County	\$ 4,500		\$ (4,500)		
Compensated absences	73,708	\$ 47,306	(50,153)	\$ 70,861	\$ 67,824
Governmental activities long-term liabilities	\$ 73,708	\$ 47,306	\$ (54,653)	\$ 70,861	\$ 67,824
Business-Type Activities:					
Loan payable to USDA	\$ 700,000		\$ (13,000)	\$ 687,000	\$ 14,000
Loan payable to ARSA	450,000			450,000	
Compensated absences	19,885	\$ 27,508	(32,078)	15,315	10,721
Business-type activities long-term liabilities	\$ 1,169,885	\$ 27,508	\$ (45,078)	\$ 1,152,315	\$ 24,721

## CITY OF SUTTER CREEK, CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

## NOTE E – LONG-TERM LIABILITIES (Continued)

U.S. Department of Agriculture (USDA) Loan Payable: Long-term debt of the City's business-type activities consists of a loan payable to the USDA Rural Development to finance certain capital improvements to City's sewer collection system. Principal payments are due annually on May 1. Interest payments, at an interest rate of 4.5%, are due semi-annually on November 1 and May 1. The scheduled annual minimum debt service requirements at June 30, 2010 are as follows:

June 30	Principal	Interest	Total
2011	\$ 14,000	\$ 30,915	\$ 44,915
2012	14,000	30,285	44,285
2013	15,000	29,655	44,655
2014	15,000	28,980	43,980
2015	16,000	28,305	44,305
2016-2020	92,000	129,960	221,960
2021-2025	115,000	107,425	222,425
2026-2030	143,000	79,065	222,065
2031-2035	179,000	43,740	222,740
2036-2037	84,000	5,715	89,715
Totals	<u>\$ 687,000</u>	<u>\$ 514,045</u>	<u>\$ 1,201,045</u>

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

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

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

## CITY OF SUTTER CREEK, CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

## NOTE E – LONG-TERM LIABILITIES (Continued)

Since the existing ARSA system is adequate at this time and economic conditions currently exist preventing the development of the Gold Rush Golf development, the pipeline and spray field easement is not needed. For this reason, the City has requested a delay from ARSA in the repayment schedule. The most recent deferral approved by ARSA grants the City a delay until August 2012. If the Gold Rush Golf development does not occur, the City intends to use sewer connection fees and sewer rate charges for making the repayments to ARSA. The City has recorded a liability for this repayment in its Sewer Fund.

## NOTE F – NET ASSETS AND FUND BALANCE

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

	<u>Governmental Activities</u>
Relinquished State Highway 49 projects	\$ 3,047,118
Street and bridge projects	302,780
Public safety projects	36,027
Community projects	26,708
Traffic mitigation projects	<u>371,769</u>
	<u><u>\$ 3,784,402</u></u>

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

	<u>General</u>	<u>Bypass Relinquishment</u>	<u>Traffic Mitigation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Relinquished State Highway 49		\$ 2,492,559		\$ 554,559	\$ 3,047,118
Street and bridge projects				302,780	302,780
Public safety projects				36,027	36,027
Community projects				26,708	26,708
Traffic mitigation projects			\$ 346,588	25,181	371,769
Total Restricted	<u>-</u>	<u>2,492,559</u>	<u>346,588</u>	<u>945,255</u>	<u>3,784,402</u>
Committed for:					
Cemetery				14,061	14,061
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,061</u>	<u>14,061</u>
Unassigned	<u>\$ (1,217,491)</u>			<u>(536,619)</u>	<u>(1,754,110)</u>
Total fund balances	<u><u>\$ (1,217,491)</u></u>	<u><u>\$ 2,492,559</u></u>	<u><u>\$ 346,588</u></u>	<u><u>\$ 422,697</u></u>	<u><u>\$ 2,044,353</u></u>

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit Provisions and all other requirements are established by state statute. The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. PERS requires plans with less than 100 active participants to participate in risk pools. The City participated in the Miscellaneous 3.0% at 60 Risk Pool and the Safety 3.0% at 50 Risk Pool for the year ended June 30, 2010. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy: Active plan members in the PERS plans are required to contribute 8%, (9% for safety employees) of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate is 21.486% for safety employees and 21.785% for non-safety employees of the annual covered payroll. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$75,427 for the year ended June 30, 2010. The contribution requirement of plan members and the City are established and may be amended by PERS. The City's contributions for the years ended June 30, 2010, 2009 and 2008 were \$196,280, \$334,241 and \$321,885, respectively, which were equal to the required contributions for each year.

NOTE H – 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.

CITY OF SUTTER CREEK, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE H – INSURANCE (Continued)

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

Amount	Coverage provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
- \$ 10,000	Self-insured	City funds
\$ 10,001 - \$ 1,000,000	Central San Joaquin Valley Risk Management	Shared risk pool
\$ 1,000,000 - \$ 15,000,000	California Joint Powers Risk Management Authority	Excess pool
<i>WORKERS' COMPENSATION:</i>		
- \$ 10,000	Self-insured	City funds
\$ 10,001 - \$ 350,000	Central San Joaquin Valley Risk Management	Shared risk pool
\$ 350,001 Statutory Limit	California State Association of Counties Excess Workers' Compensation	Excess pool

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

NOTE I – RELINQUISHMENT AGREEMENT, HIGHWAY 49 BYPASS

The City entered into an agreement on March 17, 2003 with the State of California acting through its Department of Transportation (CalTrans). The agreement, pursuant to the Street & Highways Code, relinquishes a portion of State Highway 49 from the State to the City (Old Highway 49). The City assumes responsibility of accepting Old Highway 49 in its then existing condition and assumes responsibility for replacing the Sutter Creek bridge that underpasses the old highway. The agreement further stipulates that the State make a payment of \$3,049,000 to the City for the cost of the bridge project (\$1,948,000) and for repairs to the old highway (\$1,101,000) to bring the old highway to a state of good repair as defined in Highway Code Section 23. The State made payment to the City in 2007, which the City recorded in a special revenue fund as restricted for the purposes of the agreement. However, the agreement makes no mention of interest earnings and the City treats the interest earnings on the fund as unrestricted.

The City recently obtained a federal grant of \$1.8 million for the bridge project estimated at a cost of \$2,000,000. The City set up a Capital Project Fund (Sutter Creek Bridge Replacement) to account for the project and its various funding sources. The Bypass Relinquishment Fund made a transfer of \$354,559 to the Sutter Creek Bridge Replacement Fund during fiscal year 2009/10.



## CITY OF SUTTER CREEK, CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

## NOTE I – RELINQUISHMENT AGREEMENT, HIGHWAY 49 BYPASS (Continued)

Up through June 30, 2010, the City has made a variety of loans and transfers of money from the Bypass Relinquishment Fund. The City determined that the unrestricted interest earnings can be used for transfers to other funds. The remaining transfers and loans are noted below and provide an accounting of funding from the Bypass Relinquishment Fund:

General Fund	\$ 882,448	Loan
Central Eureka Mine Fund	141,991	Loan
Community Center Fund	104,799	Loan
Traffic Mitigation Fund (Sutter Hill Drain)	102,169	Loan
AB 1600 Fees Fund	28,725	Loan
Knights Foundry Fund	15,174	Loan
Home Grant Fund	10,902	Loan
Monte Verde Store Fund	4,088	Loan
Bridge Replacement Fund	354,559	Transfer for Expenses
Broad Street Drain Fund	<u>200,000</u>	Transfer for Expenses
	<u>\$ 1,844,855</u>	

In addition, due to negative cash in various funds, the Bypass Relinquishment Fund also provided additional temporary funding to the following funds:

Wastewater Fund	\$ 264,266
General Fund	237,752
Hazmat Grant Fund	91,052
General Plan Update Fund	76,985
Noble Ranch Golf Fund	51,022
Community Center Grant Fund	44,000
CalTrans Street and Road Fund	38,481
Central Services Internal Services Fund	36,372
RDA Formation Fund	13,393
Police Grants Fund	10,264
Central Eureka Mine Fund	<u>5,945</u>
	<u>\$ 869,532</u>

## NOTE J – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2010, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE J – COMMITMENTS AND CONTINGENCIES (Continued)

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

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.

NOTE K – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Sutter Creek was \$59,735.

Authorized with the 2009/10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and, accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

CITY OF SUTTER CREEK, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE L – RESTATEMENT

During the fiscal year ended June 30, 2010, the City revised its sewer billings to Amador Water Agency and Amador City for fiscal year 2008/09. As a result of this prior period adjustment, net assets reported for the Wastewater Enterprise Fund on the statement of net assets and statement of activities as of July 1, 2009 have been increased by \$185,399.

NOTE M – GOING CONCERN

The financial statements as of June 30, 2010 have been prepared assuming the City will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Due to the economic downturn, tax revenues for the City have decreased significantly from past years, causing the City's General Fund to incur a fund deficit of \$1.2 million as of June 30, 2010. In order to compensate for the fund deficit, the General Fund has relied on borrowing funds from the Highway 49 Bypass Relinquishment funds. The Highway 49 Bypass Relinquishment Special Revenue Fund was created by the City to account for \$3.0 million of highway relinquishment funds as described in Note I. Due to the cumulative negative financial position of the General Fund, the City has no reserves for any unanticipated contingencies that could negatively impact the City fiscally, without continuing to borrow from the Highway 49 Bypass Fund.

Unaudited financial information for fiscal year 2010/11 shows revenues sufficient to cover expenditures in the General Fund due to the City reducing operating expenditures, but unless tax revenues or other revenue sources increase substantially, the City will need to continue to rely on borrowing funds from the Highway 49 Bypass Special Revenue Fund in order to compensate for the negative cash position of the General Fund.

During fiscal year 2009/10, the City provided incentives to full-time employees to encourage early retirement which reduced staffing levels from 19 full-time employees to 14 employees. Even though the City experienced deficit spending in the General Fund totaling \$350,518 in 2009-10, the City expects to experience reduced spending in future years from this staffing curtailment.

In fiscal year 2010/11, the City adopted a General Fund budget totaling \$1,384,858 with a targeted surplus of \$74,641. This adopted budget was a significant reduction from the prior year's amount of \$1,677,353. Part of the City's spending reductions included the elimination of two more full-time positions in 2010-11. The City also obtained compensation concessions from both of its two labor groups. Despite declining property tax revenues in the General Fund, the City estimates an operating surplus of about \$30,000 for 2010-11. This end result will produce the first General Fund operating surplus in several years. For Fiscal Year 2011-12, the City adopted a General Fund budget totaling \$1,410,585 with a targeted operating surplus of \$84,000. After seven months of financial activity, the General Fund is on track to generate an operating surplus of at least \$91,000.

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

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## COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF SUTTER CREEK  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2010

	Special Revenue Funds							
	Traffic Enhancement Activity Fund	Traffic and Safety Fund	Gas Tax Fund	Crestview Lighting District Fund	Local Transportation Commission Fund	Cemetery Fund	HMGP- HAZMAT Grant Fund	FEMA Fund
<b>ASSETS</b>								
Cash and cash equivalents	\$ 105,490	\$ 71,647	\$ 53,356	\$ 3,839	\$ 86,062	\$ 14,046		\$ 12,637
Accounts receivable				632				
Due from other governmental agencies			5,617					
Interest receivable	111	76	56	4	91	15		13
<b>TOTAL ASSETS</b>	<u>\$ 105,601</u>	<u>\$ 71,723</u>	<u>\$ 59,029</u>	<u>\$ 4,475</u>	<u>\$ 86,153</u>	<u>\$ 14,061</u>	<u>\$ -</u>	<u>\$ 12,650</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 3,163		\$ 22,645	\$ 3,576			\$ 1,152	
Accrued liabilities								
Due to other funds							91,052	
Deposits payable								
<b>TOTAL LIABILITIES</b>	<u>3,163</u>		<u>22,645</u>	<u>3,576</u>			<u>92,204</u>	
<b>FUND BALANCES</b>								
Restricted	102,438	\$ 71,723	36,384	899	\$ 86,153			\$ 12,650
Committed						\$ 14,061		
Unassigned							(92,204)	
<b>TOTAL FUND BALANCES</b>	<u>102,438</u>	<u>71,723</u>	<u>36,384</u>	<u>899</u>	<u>86,153</u>	<u>14,061</u>	<u>(92,204)</u>	<u>12,650</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 105,601</u>	<u>\$ 71,723</u>	<u>\$ 59,029</u>	<u>\$ 4,475</u>	<u>\$ 86,153</u>	<u>\$ 14,061</u>	<u>\$ -</u>	<u>\$ 12,650</u>

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

Special Revenue Funds									
Cal Trans. Street Fund	AB 1600 Fund	Central Eureka Mine Project Fund	SB 621 Gaming Grant Fund	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Pool Refurbishment Grant Fund	Community Center Grant Fund	Traffic Congestion Fund
	\$ 12,597		\$ 27,339		\$ 32,543	\$ 5,360			\$ 17,597 6,676
				\$ 10,218					
			27		49				9
<u>\$ -</u>	<u>\$ 12,597</u>	<u>\$ -</u>	<u>\$ 27,366</u>	<u>\$ 10,218</u>	<u>\$ 32,592</u>	<u>\$ 5,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,282</u>
			\$ 3,989	\$ 1,105 10,264		\$ 10,902		\$ 148,799	
<u>\$ 38,481</u>	<u>\$ 28,725</u>	<u>\$ 147,936</u>	<u>3,989</u>	<u>11,369</u>		<u>10,902</u>		<u>148,799</u>	
			23,377		\$ 32,592				\$ 24,282
(38,481)	(16,128)	(147,936)		(1,151)		(5,542)		(148,799)	
<u>(38,481)</u>	<u>(16,128)</u>	<u>(147,936)</u>	<u>23,377</u>	<u>(1,151)</u>	<u>32,592</u>	<u>(5,542)</u>		<u>(148,799)</u>	<u>24,282</u>
<u>\$ -</u>	<u>\$ 12,597</u>	<u>\$ -</u>	<u>\$ 27,366</u>	<u>\$ 10,218</u>	<u>\$ 32,592</u>	<u>\$ 5,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,282</u>

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CITY OF SUTTER CREEK  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2010

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	General Plan Update Fund	ACRA Regional Rec. Fees Fund	RDA Formation Fund		Broad Street Drain Fund	Sutter Creek Bridge Replacement Fund	
<b>ASSETS</b>							
Cash and cash equivalents		\$ 26,680		\$ 469,193	\$ 200,000	\$ 334,880	\$ 1,004,073
Accounts receivable				7,308			7,308
Due from other governmental agencies				15,835			15,835
Interest receivable		28		479	106	153	738
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 26,708</u>	<u>\$ -</u>	<u>\$ 492,815</u>	<u>\$ 200,106</u>	<u>\$ 335,033</u>	<u>\$ 1,027,954</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable				\$ 34,525		\$ 7,090	\$ 41,615
Accrued liabilities				1,105			1,105
Due to other funds	\$ 76,985		\$ 13,393	566,537			566,537
Deposits payable							
<b>TOTAL LIABILITIES</b>	<u>76,985</u>		<u>13,393</u>	<u>602,167</u>		<u>7,090</u>	<u>609,257</u>
<b>FUND BALANCES</b>							
Restricted		\$ 26,708		417,206	\$ 200,106	327,943	945,255
Committed				14,061			14,061
Unassigned	(76,985)		(13,393)	(540,619)			(540,619)
<b>TOTAL FUND BALANCES</b>	<u>(76,985)</u>	<u>26,708</u>	<u>(13,393)</u>	<u>(109,352)</u>	<u>200,106</u>	<u>327,943</u>	<u>418,697</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 26,708</u>	<u>\$ -</u>	<u>\$ 492,815</u>	<u>\$ 200,106</u>	<u>\$ 335,033</u>	<u>\$ 1,027,954</u>

## CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Special Revenue Funds							
	Traffic Enhancement Fund	Traffic and Safety Fund	Gas Tax Fund	Crestview Lighting District Fund	Local Transportation Commission Fund	Cemetery Fund	HMGP- HAZMAT Grant Fund	FEMA Fund
REVENUES								
Taxes and assessments			\$ 54,514					
Licenses and permits								
Fines and penalties								
Interest and investment income	\$ 833	\$ 576	542	\$ 34	\$ 803	\$ 113		\$ 107
Intergovernmental revenues	30,493							
Charges for services						2,000		
Other revenue								
TOTAL REVENUES	31,326	576	55,056	34	803	2,113		107
EXPENDITURES								
General government								
Public safety								
Cultural and recreation								
Public works and facilities	15,915		119,315	523	52,041		\$ 10,884	
Community development								
Debt service:								
Principal								
TOTAL EXPENDITURES	15,915		119,315	523	52,041		10,884	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	15,411	576	(64,259)	(489)	(51,238)	2,113	(10,884)	107
OTHER FINANCING SOURCES (USES):								
Transfers in								
Transfers out								
TOTAL OTHER FINANCING SOURCES (USES)								
NET CHANGE IN FUND BALANCES	15,411	576	(64,259)	(489)	(51,238)	2,113	(10,884)	107
Fund balances, beginning of year, as previously reported	87,027	71,147	100,643	1,388	137,391	11,948	(81,320)	12,543
Restatement								
Fund balances, beginning of year, as restated	87,027	71,147	100,643	1,388	137,391	11,948	(81,320)	12,543
FUND BALANCES END OF YEAR	\$ 102,438	\$ 71,723	\$ 36,384	\$ 899	\$ 86,153	\$ 14,061	\$ (92,204)	\$ 12,650

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

Special Revenue Funds									
Cal Trans. Street Fund	AB 1600 Fund	Central Eureka Mine Project Fund	SB 621 Gaming Grant Fund	Police Grants Funds	Cal Trans ADA Fund	HOME Grant Fund	Pool Refurbishment Grant Fund	Community Center Grant Fund	Traffic Congestion Fund
			\$ 227	\$ -	\$ 430	\$ 1		\$ 176,000	\$ 75
	\$ 12,597			100,853		5,359			24,207
							\$ 14,615		
	12,597		227	100,853	430	5,360	14,615	176,000	24,282
			25,142	101,754					
		\$ 5,257							
		5,257	25,142	101,754					
	12,597	(5,257)	(24,915)	(901)	430	5,360	14,615	176,000	24,282
			13,139				18,665		
			13,139				18,665		
	12,597	(5,257)	(11,776)	(901)	430	5,360	33,280	176,000	24,282
(38,481)	(28,725)	(142,679)	35,153	(250)	32,162	(10,902)	(33,280)	(324,799)	
(38,481)	(28,725)	(142,679)	35,153	(250)	32,162	(10,902)	(33,280)	(324,799)	
\$ (38,481)	\$ (16,128)	\$ (147,936)	\$ 23,377	\$ (1,151)	\$ 32,592	\$ (5,542)	\$ -	\$ (148,799)	\$ 24,282

## CITY OF SUTTER CREEK

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

For the Year Ended June 30, 2010

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	General Plan Update Fund	ACRA Regional Rec. Fees Fund	RDA Formation Fund		Broad Street Drain Fund	Sutter Creek Bridge Replacement Fund	
REVENUES							
Taxes and assessments				\$ 54,514			\$ 54,514
Licenses and permits							
Fines and penalties							
Interest and investment income		\$ 223		3,964	\$ 106	\$ 773	4,843
Intergovernmental revenues				336,912		29,620	366,532
Charges for services				14,597			14,597
Other revenue				14,615			14,615
TOTAL REVENUES		223		424,602	106	30,393	455,101
EXPENDITURES							
General government							
Public safety				126,896			126,896
Cultural and recreation							
Public works and facilities				203,935		18,403	222,338
Community development							
Debt service:							
Principal							
TOTAL EXPENDITURES				330,831		18,403	349,234
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES		223		93,771	106	11,990	105,867
OTHER FINANCING SOURCES (USES):							
Transfers in				31,804	200,000	354,559	586,363
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)				31,804	200,000	354,559	586,363
NET CHANGE IN FUND BALANCES		223		125,575	200,106	366,549	692,230
Fund balances, beginning of year, as previously reported	\$ (76,985)	26,485	\$ (13,393)	(234,927)		(38,606)	(273,533)
Restatement							
Fund balances, beginning of year, as restated	(76,985)	26,485	(13,393)	(234,927)		(38,606)	(273,533)
FUND BALANCES END OF YEAR	\$ (76,985)	\$ 26,708	\$ (13,393)	\$ (109,352)	\$ 200,106	\$ 327,943	\$ 418,697

## CITY OF SUTTER CREEK

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS

As of June 30, 2010

	Monteverde Store Fund	Knights Foundry Fund	Police Reserve Fund	Community Facilities District Fund	ARSA Funds	Community Trust Fund	Total
<b>ASSETS</b>							
Cash and investments	\$ 164	\$ 44,468		\$ 919	\$ 27,964	\$ 2,431	\$ 75,946
Due from other governments					71,633		71,633
<b>TOTAL ASSETS</b>	<u>\$ 164</u>	<u>\$ 44,468</u>	<u>\$ -</u>	<u>\$ 919</u>	<u>\$ 99,597</u>	<u>\$ 2,431</u>	<u>\$ 147,579</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 2,765			\$ 1,162	\$ 17,526	\$ 2,431	\$ 23,884
Due to other governments	4,088	\$ 15,174					19,262
Other accrued liabilities					2,801		2,801
Agency obligations	(6,689)	29,294		(243)	79,270		101,632
<b>TOTAL LIABILITIES</b>	<u>\$ 164</u>	<u>\$ 44,468</u>	<u>\$ -</u>	<u>\$ 919</u>	<u>\$ 99,597</u>	<u>\$ 2,431</u>	<u>\$ 147,579</u>

