

City of Placerville

Placerville, California

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2018

Prepared By the
The Finance Department
of the City of Placerville

CITY OF PLACERVILLE
Annual Financial Report
For the Year Ended June 30, 2018
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INDEPENDENT AUDITORS' REPORT

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

Report on 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 Placerville, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 the *Governmental 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 audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position in the amount of \$57,084,123 and reclassification of certain accounts as of July 1, 2017 as described in Note 14 to the financial statements. In addition, the other post-employment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$3,488,238 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation to the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the City’s Proportionate Share of Net Pension Liability and Related Ratios, Schedules of Changes in Total OPEB Liability and Related Ratios on pages 5 through 11 and 89 through 113 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 and other auditors 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 Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Placerville
Placerville, California
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The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules on pages 103 through 113 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Combining and Individual Nonmajor Fund Financial Statements are 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 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Walnut Creek, California
March 31, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Placerville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and to identify any material changes in the approved operating and capital budgets.

Financial Highlights – Primary Government

- The City's net position at the end of the year was \$56.96M, an increase of \$2.01M. The portion of the City's net position that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled a deficit of \$(9.94)M or -17.45%.
- The governmental net position increased by \$1.60M or 4.13% and the business-type net position increased by \$0.41M or 2.50%.
- Program revenues from governmental activities decreased by \$6.90M or 65.22%. Program revenues from business-type activities decreased by \$1.34M or 1.47%. General revenues, net of transfers, increased \$2.32M or 25.72%.

City Highlights

- Began construction of the Western Placerville Interchange, Phase 2 Off-ramp, \$1.80M
- Continued the design phase of the Broadway Bike Lanes, \$0.28M
- Continued the Energy and Water Efficiency Study, \$0.28M
- Continued the design phase of the Clay Street Bridge and Intersection, \$0.13M

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are comprised of the *statement of net position* and *statement of activities and changes in net position*. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations. The *statement of activities and changes in net position* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest expense due but unpaid). Both of the above government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development and recreation and parks. The business-type activities of the City include the two municipal utilities: water acquisition and delivery and wastewater collection and treatment.

Fund Financial Statements. 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has eleven governmental funds, of which five are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's major funds – the General Fund, the Transportation Development Fund, the Measure J Fund, the Measure L Fund, and the Development Impact Fund. Data from the other seven non-major governmental funds are combined into a single, aggregated presentation.

Proprietary Funds. The City maintains two different types of proprietary funds – *enterprise funds* and *internal service 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 two municipal utilities; water acquisition and distribution and wastewater collection and treatment. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the proprietary funds provide separate information for the municipal utilities. Conversely, the internal service funds are combined into a single aggregated column in the proprietary fund statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing budgetary comparison schedules for the General Fund, the Transportation Development Fund, the Measure J Fund, the Measure L Fund, and the Development Impact Fund.

Government-Wide Statements

Statement of Net Position:

The City's net position at the end of the year was \$56.96M, an increase of \$2.01M. The governmental net position increased by \$1.60M or 4.13% and the business-type net position increased by \$0.41M or 2.50%. The increase in governmental net position is due to a \$2.33M or 28.48% increase in total general revenues and transfers. The City and its contractors completed \$3.58M in capital projects as of June 30, 2018. Please see the "Capital Assets" section below for more details.

Net Position

June 30, 2018

(amounts expressed in thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 16/17	FY 17/18	FY 16/17	FY 17/18	FY 16/17	FY 17/18
Current assets	\$ 2,813	\$ 2,845	\$ 6,006	\$ 5,686	\$ 8,819	\$ 8,531
Restricted Assets	8,091	9,857	1,692	1,692	9,783	11,549
Capital assets	44,057	46,451	67,014	65,508	111,071	111,959
Total assets	54,961	59,153	74,712	72,886	129,673	132,039
Total Deferred Outflows of Resources	3,177	3,518	895	904	4,072	4,422
Current liabilities	1,771	3,335	3,368	2,635	5,139	5,970
Noncurrent liabilities	17,200	18,712	55,867	54,385	73,067	73,097
Total liabilities	18,971	22,047	59,235	57,020	78,206	79,067
Total Deferred Inflows of Resources	482	340	101	92	583	432
Net position:						
Net investment in capital assets	43,345	45,895	13,568	13,895	56,913	59,790
Restricted	3,048	5,418	2,703	1,692	5,751	7,110
Unrestricted (deficit)	(7,708)	(11,029)	-	1,091	(7,708)	(9,938)
Total net position	\$ 38,685	\$ 40,284	\$ 16,271	\$ 16,678	\$ 54,956	\$ 56,962

Changes in Net Position

Program revenues from governmental activities decreased \$6.90M or 65.22%. The decrease is primarily due to a \$6.42M decrease in capital and operating grants and contributions, which are one-time in nature. General revenues, net of transfers, increased \$2.32M or 25.72%. This net increase is primarily due to a \$1.74M or 24.36% increase in local sales tax revenues. Program revenues from business-type activities decreased by \$1.62M or 93.95% which was primarily due to \$1.62M decrease capital grants and contributions, which are one-time in nature. Business-type revenues exceeded expenditures by \$0.41M primarily due to \$0.28M increase in charges for services. Water Enterprise Fund revenues exceeded expenditures by \$0.09M which was primarily due to a \$.08M increase in charges for services. Sewer Enterprise Fund expenditures exceeded revenues by \$0.10M which was primarily due to \$1.90M in depreciation, which is a non-cash expense.

Condensed Statement of Activities and Changes in Net Position
For the year ended June 30, 2018
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Position							
	Expenses		Program Revenues		Government Activities		Business-type Activities	
	FY 16/17	FY 17/18	FY 16/17	FY 17/18	FY 16/17	FY 17/18	FY 16/17	FY 17/18
<i>Governmental activities</i>								
General government	\$ 2,773	\$ 2,850	\$ 576	\$ 662	\$ (2,197)	\$ (2,188)		
Public safety	4,144	4,611	3,872	87	(272)	(4,524)		
Highways and streets	2,193	2,268	4,953	1,916	2,760	(352)		
Community development	625	668	297	263	(328)	(405)		
Parks and recreation	2,291	2,174	868	746	(1,423)	(1,428)		
Total governmental activities	<u>12,026</u>	<u>12,571</u>	<u>10,566</u>	<u>3,674</u>	<u>(1,460)</u>	<u>(8,897)</u>		
<i>Business-type activities</i>								
Water	1,891	1,872	3,756	2,013			1,865	141
Sewer	6,509	6,359	5,399	5,798			(1,110)	(561)
Total business-type activities	<u>8,400</u>	<u>8,231</u>	<u>9,155</u>	<u>7,811</u>			<u>755</u>	<u>(420)</u>
Total primary government	<u>\$ 20,426</u>	<u>\$ 20,802</u>	<u>\$ 19,721</u>	<u>\$ 11,485</u>				
					8,169	10,496	837	827
					6,709	1,599	1,592	407
					Net Position:			
					31,976	38,685	14,679	16,271
					<u>\$ 38,685</u>	<u>\$ 40,284</u>	<u>\$ 16,271</u>	<u>\$ 16,678</u>

Budgetary Highlights - Current Year Impacts

- The City has an agreement with the California Public Employees Retirement System (CalPERS) to provide pension benefits to City employees. Below are the annual employer pension contributions and the aggregate net pension liability as of June 30th:

Fiscal Year	Annual Pension Contributions	Aggregate Net Pension Liability
2015/2016	\$ 1,216,478	\$ 13,801,339
2016/2017	1,355,981	16,313,191
2017/2018	1,420,677	18,742,982

Additional information about the City's pension plans can be found in Note 7 –Public Employee Retirement System.

Fund Financial Statements

Governmental Funds

The fund financial statements present financial data for the general, special revenue, capital projects and fiduciary funds. At the close of Fiscal Year 2017/2018, the City's governmental funds reported a combined ending fund balance of \$7.28M – an increase of \$2.41M or 44.49%.

General Fund. Total fund balance for the General Fund on June 30, 2018 was \$1.88M, a decrease of \$0.28 from the prior year. Of the \$1.88M fund balance, \$1.60M is available for contingencies. The \$1.60M unassigned balance represents 18.18% of General Fund expenditures, net of fund transfers.

Business Type Funds

The City's proprietary funds, excluding internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the business-type net position increased by \$0.41M or 2.50% which was primarily due to \$0.28M increase in charges for services.

In November 2010, Placerville voters approved Measure H, which is a 0.25% add on sales tax dedicated to paying for wastewater and/or water related debt and infrastructure replacement costs. The Measure H sales tax became effective April 1, 2011, and generated \$1.02M in Fiscal Year 2017/2018. The Measure H Fund provided \$.52M for Sewer Enterprise Fund debt service payments and \$0.09M in contributions towards sewer and water infrastructure improvements during the fiscal year.

At its meeting held on February 13, 2018, the City Council adopted new five-year water and wastewater user rate schedules that became effective February 16, 2018. The initial water and wastewater rates that became effective February 16, 2018, represent increases of 7.50% and 5.75% respectively.

In November 2016, Placerville voters approved Measure L, which is a 0.50% add on sales tax dedicated to paying for street, wastewater system and water system improvements. The Measure L sales tax became effective April 1, 2017, and generated \$2.04M during Fiscal Year 2017/2018. The Measure L Fund provided \$0.23M for street, sewer system, and water system infrastructure improvements during the fiscal year.

Capital Assets and Debt Administration

Debt Administration

Long Term Debt - At the end of the current fiscal year, the City had \$52.17M in long term debt outstanding compared to \$54.16M last year, a \$2.00M or 3.67% net decrease. The decrease is primarily due to debt service payments made in Fiscal Year 2017/2018. Details of all debt are included in Note 5 of the *notes to the basic financial statements*.

Capital Assets

Capital asset additions for Fiscal Year 2017/2018 include:

Governmental Activities

- Construction in progress – Western Placerville Interchange, Phase 2 Off-ramp, (\$1.80M)
- Construction in progress – Broadway Bike Lanes, (\$0.28M)
- Construction in progress – Clay Street Bridge and Intersection, (\$0.13M)

Governmental Capital Assets

June 30, 2018

(amounts expressed in thousands)

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 12,832	\$ 102	\$ -	\$ -	\$ 12,934
Construction in progress	13,842	2,891	-	(1,623)	15,110
Total nondepreciable assets	<u>26,674</u>	<u>2,993</u>	<u>-</u>	<u>(1,623)</u>	<u>28,044</u>
<i>Depreciable Assets:</i>					
Buildings and structures	12,204	-	-	62	12,266
Machinery and equipment	2,938	129	(54)	-	3,013
Infrastructure	11,957	-	-	1,561	13,518
Total depreciable assets	<u>27,099</u>	<u>129</u>	<u>(54)</u>	<u>1,623</u>	<u>28,797</u>
	53,773	3,122	(54)	-	56,841
Less accumulated depreciation	<u>(9,716)</u>	<u>(718)</u>	<u>44</u>	<u>-</u>	<u>(10,390)</u>
Total governmental activities	<u><u>\$ 44,057</u></u>	<u><u>\$ 2,404</u></u>	<u><u>\$ (10)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,451</u></u>

Business Type Activities

- Construction in progress – Energy and Water Efficiency Study, (\$0.28M)

Business-Type Capital Assets

June 30, 2018

(amounts expressed in thousands)

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,329	\$ -	\$ -	\$ -	\$ 2,329
Construction in progress	4,968	589	-	(1,436)	4,121
Total nondepreciable assets	<u>7,297</u>	<u>589</u>	<u>-</u>	<u>(1,436)</u>	<u>6,450</u>
<i>Depreciable Assets:</i>					
Buildings and structures	73,862	-	-	-	73,862
Machinery and equipment	1,319	-	-	-	1,319
Infrastructure	48,580	-	-	1,436	50,016
Total depreciable assets	<u>123,761</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>125,197</u>
Less accumulated depreciation	<u>(64,043)</u>	<u>(2,096)</u>	<u>-</u>	<u>-</u>	<u>(66,139)</u>
Total depreciable assets, net	<u>59,718</u>	<u>(2,096)</u>	<u>-</u>	<u>1,436</u>	<u>59,058</u>
Total business-type activities	<u><u>\$ 67,015</u></u>	<u><u>\$ (1,507)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,508</u></u>

Other Information

The Placerville Public Financing Authority. As discussed in Note 14 of the *notes to the basic financial statements*, the Placerville Public Finance Authority has defaulted on certain Revenue Bonds. That default was the product of a default on certain assessment bonds issued by the City of Placerville on behalf of improvement districts created by the City in response to a petition by property owners for a specific purpose. The City is not obligated to pay the assessment bonds with any funds other than assessments levied against the properties within those districts.

The Authority is a separate legal entity with the Authority's Board of Directors being comprised of the City's Council Members, City Manager and Assistant City Manager/Director of Finance. The Authority has accountability for all funds, the power to execute contracts, and the right to sue and be sued. Obligations and liabilities of the Authority are not general obligations of the City.

Neither the City nor the Authority has any obligation to advance its own funds toward payments to bondholders. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts remaining from the proceeds of bond issues are the sole security for payment to bondholders. In the event of default, the City is responsible for foreclosure and auction proceedings on the property.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Placerville, Assistant City Manager/Director of Finance, 3101 Center Street, Placerville, CA 95667.

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BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF PLACERVILLE
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 1,735,194	\$ 2,866,776	\$ 4,601,970
Receivables:			
Accounts	1,115,594	448,257	1,563,851
Interest	1,068	3,259	4,327
Utility billings, net	-	2,206,897	2,206,897
Inventory	16,030	-	16,030
Prepaid items	137,586	-	137,586
Internal balances	(160,315)	160,315	-
Total current assets	<u>2,845,157</u>	<u>5,685,504</u>	<u>8,530,661</u>
Restricted:			
Cash and investments	4,411,620	-	4,411,620
Deposits held by fiscal agents	-	1,691,519	1,691,519
Receivables:			
Accounts	4,478,503	-	4,478,503
Interest	3,292	-	3,292
Grants	837,080	-	837,080
Loans	126,911	-	126,911
Total restricted assets	<u>9,857,406</u>	<u>1,691,519</u>	<u>11,548,925</u>
Capital assets:			
Nondepreciable	28,043,345	6,450,192	34,493,537
Depreciable, net	18,407,253	59,057,933	77,465,186
Total capital assets, net	<u>46,450,598</u>	<u>65,508,125</u>	<u>111,958,723</u>
Total Assets	<u>59,153,161</u>	<u>72,885,148</u>	<u>132,038,309</u>
Deferred Outflows of Resources			
Pension related deferred outflow of resources	3,518,406	904,140	4,422,546
Total Deferred Outflows of Resources	<u>3,518,406</u>	<u>904,140</u>	<u>4,422,546</u>

CITY OF PLACERVILLE
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	2,239,930	384,932	2,624,862
Payroll and related taxes payable	472,598	-	472,598
Deposits	53,176	34,285	87,461
Interest payable	4,910	275,253	280,163
Current portion of compensated absences	402,715	-	402,715
Current portion of long-term debt	161,617	1,940,755	2,102,372
Total current liabilities	<u>3,334,946</u>	<u>2,635,225</u>	<u>5,970,171</u>
Long-term liabilities:			
Compensated absences	775,518	-	775,518
Claims payable	338,816	-	338,816
Long-term debt, net	394,448	49,671,996	50,066,444
Total OPEB liability (Note 8)	2,588,068	900,170	3,488,238
Aggregate net pension liability (Note 7)	14,615,475	3,812,496	18,427,971
Total long-term liabilities	<u>18,712,325</u>	<u>54,384,662</u>	<u>73,096,987</u>
Total Liabilities	<u>22,047,271</u>	<u>57,019,887</u>	<u>79,067,158</u>
Deferred Inflows of Resources			
Pension related deferred inflow of resources	231,093	53,563	284,656
OPEB related deferred inflow of resources	109,398	38,050	147,448
Total Deferred Inflows of Resources	<u>340,491</u>	<u>91,613</u>	<u>432,104</u>
Net Position:			
Net investment in capital assets	45,894,533	13,895,374	59,789,907
Restricted:			
Capital projects	-	1,691,519	1,691,519
Special projects and programs	5,399,622	-	5,399,622
Total restricted	<u>5,399,622</u>	<u>1,691,519</u>	<u>7,091,141</u>
Unrestricted (Deficit)	<u>(11,010,350)</u>	<u>1,090,895</u>	<u>(9,919,455)</u>
Total Net Position	<u>\$ 40,283,805</u>	<u>\$ 16,677,788</u>	<u>\$ 56,961,593</u>

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,850,189	\$ 662,517	\$ -	\$ -	\$ 662,517
Public safety	4,611,192	86,455	-	-	86,455
Highways and streets	2,267,890	783,290	314,365	818,550	1,916,205
Community development	668,192	249,914	-	13,112	263,026
Parks and recreation	2,173,948	689,433	56,727	-	746,160
Total governmental activities	12,571,411	2,471,609	371,092	831,662	3,674,363
Business-type activities:					
Water	1,871,499	2,013,404	-	-	2,013,404
Sewer	6,359,368	5,693,103	-	104,343	5,797,446
Total business-type activities	8,230,867	7,706,507	-	104,343	7,810,850
Total primary government	\$ 20,802,278	\$ 10,178,116	\$ 371,092	\$ 936,005	\$ 11,485,213

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,187,672)	\$ -	\$ (2,187,672)
Public safety	(4,524,737)	-	(4,524,737)
Highways and streets	(351,685)	-	(351,685)
Community development	(405,166)	-	(405,166)
Parks and recreation	(1,427,788)	-	(1,427,788)
Total governmental activities	(8,897,048)	-	(8,897,048)
Business-type activities:			
Water	-	141,905	141,905
Sewer	-	(561,922)	(561,922)
Total business-type activities	-	(420,017)	(420,017)
Total primary government	(8,897,048)	(420,017)	(9,317,065)
General revenues and transfers:			
Taxes:			
Property	290,224	-	290,224
Sales	7,858,462	1,018,232	8,876,694
Motor vehicle	901,734	-	901,734
Other	989,178	-	989,178
Total taxes	10,039,598	1,018,232	11,057,830
Interest and investment earnings	25,544	28,344	53,888
Miscellaneous	177,959	33,311	211,270
Transfers	253,123	(253,123)	-
Total general revenues and transfers	10,496,224	826,764	11,322,988
Changes in net position	1,599,176	406,747	2,005,923
Net Position:			
Beginning of year, as restated (Note 14)	38,684,629	16,271,041	54,955,670
End of year	<u>\$ 40,283,805</u>	<u>\$ 16,677,788</u>	<u>\$ 56,961,593</u>

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FUND FINANCIAL STATEMENTS

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

**City of Placerville
Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds			
	General	Transportation	Measure J	Measure L
	Fund	Development Fund	Fund	Fund
ASSETS				
Cash and investments	\$ 1,052,679	\$ -	\$ -	\$ -
Receivables:				
Accounts	1,081,486	-	-	-
Interest	1,068	-	-	-
Prepays	137,586	-	-	-
Inventories	16,030	-	-	-
Due from other funds	179,571	-	-	-
Advances to other funds	127,869	-	-	-
Restricted:				
Cash and investments	-	130,991	133,237	1,926,070
Receivables:				
Accounts	-	3,274,714	172,387	304,683
Interest	-	-	96	1,477
Grants	-	-	-	-
Due from other funds	-	-	-	-
Loans	-	-	-	-
Total assets	\$ 2,596,289	\$ 3,405,705	\$ 305,720	\$ 2,232,230
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 191,509	\$ 1,922,999	\$ 443	\$ -
Payroll and related liabilities	472,598	-	-	-
Due to other funds	-	329,348	-	-
Deposits payable	50,917	-	-	-
Advances from other funds	-	250,000	-	-
Total liabilities	715,024	2,502,347	443	-
Deferred inflows of resources:				
Unavailable revenues	-	719,002	-	-
Total deferred inflows of resources	-	719,002	-	-
Fund Balances:				
Nonspendable	281,485	-	-	-
Restricted	-	184,356	305,277	2,232,230
Committed	-	-	-	-
Unassigned (deficit)	1,599,780	-	-	-
Total fund balances	1,881,265	184,356	305,277	2,232,230
Total liabilities, deferred inflows of resources and fund balances	\$ 2,596,289	\$ 3,405,705	\$ 305,720	\$ 2,232,230

City of Placerville
Balance Sheet (Continued)
Governmental Funds
June 30, 2018

	<u>Major Funds</u>		Total Governmental Funds
	<u>Development Impact Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash and investments	\$ -	\$ -	\$ 1,052,679
Receivables:			
Accounts	-	-	1,081,486
Interest	-	-	1,068
Prepays	-	-	137,586
Inventories	-	-	16,030
Due from other funds	-	-	179,571
Advances to other funds	-	-	127,869
Restricted:			
Cash and investments	1,352,837	868,485	4,411,620
Receivables:			
Accounts	403,978	322,741	4,478,503
Interest	1,142	577	3,292
Grants	-	837,080	837,080
Due from other funds	-	8	8
Loans	-	126,911	126,911
Total assets	\$ 1,757,957	\$ 2,155,802	\$ 12,453,703
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 106,538	\$ 2,221,489
Payroll and related liabilities	-	-	472,598
Due to other funds	-	10,546	339,894
Deposits payable	-	2,259	53,176
Advances from other funds	-	270,816	520,816
Total liabilities	-	390,159	3,607,973
Deferred inflows of resources:			
Unavailable revenues	-	851,929	1,570,931
Total deferred inflows of resources	-	851,929	1,570,931
Fund Balances:			
Nonspendable	-	-	281,485
Restricted	1,757,957	919,802	5,399,622
Committed	-	18,128	18,128
Unassigned (deficit)	-	(24,216)	1,575,564
Total fund balances	1,757,957	913,714	7,274,799
Total liabilities, deferred inflows of resources and fund balances	\$ 1,757,957	\$ 2,155,802	\$ 12,453,703

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City of Placerville
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	<u>\$ 7,274,799</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Non-depreciable	28,043,345
Depreciable	<u>18,407,253</u>
Total capital assets adjustment	<u>46,450,598</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	
	<u>(4,910)</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position:	
Compensated absences - due within one year	(402,715)
Compensated absences - due in more than one year	(775,518)
Claims payable - due in more than one year	(338,816)
Long-term debt - due within one year	(161,617)
Long-term debt - due in more than one year	<u>(394,448)</u>
Total reported in Government-Wide Statement of Net Position	<u>(2,073,114)</u>
Plus: Amount reported in Internal Service Funds	
Claims payable - due in more than one year	<u>338,816</u>
Total reported in Internal Service Funds	<u>338,816</u>
Net long-term liabilities	<u>(1,734,298)</u>
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	
	1,165,851
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(14,615,475)
Total OPEB liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(2,588,068)
Pension-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Pension-related deferred outflows of resources	2,352,555
Pension-related deferred inflows of resources	(231,093)
OPEB-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
OPEB-related deferred inflows of resources	(109,398)
Deferred inflows and outflows of resources are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds:	
Unavailable revenues	1,570,931
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	
	<u>752,313</u>
Net Position of Governmental Activities	<u><u>\$ 40,283,805</u></u>

City of Placerville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			
	General Fund	Transportation Development Fund	Measure J Fund	Measure L Fund
REVENUES:				
Property taxes	\$ 290,224	\$ -	\$ -	\$ -
Sales tax	4,796,155	-	1,019,165	2,043,141
Transient occupancy taxes	218,501	-	-	-
Other taxes	216,027	-	-	-
Franchise fees	329,248	-	-	-
Licenses and permits	138,726	-	-	-
Fines and forfeitures	48,273	-	-	-
Use of money and property	174,129	-	478	3,541
Intergovernmental	934,900	3,215,697	-	-
Charges for services	827,677	-	-	-
Grant revenues	-	-	-	-
Other revenues	552,038	-	-	-
Total revenues	8,525,898	3,215,697	1,019,643	2,046,682
EXPENDITURES:				
Current:				
General government	2,537,353	-	10,469	-
Public safety	2,806,334	-	1,108,317	-
Highways and streets	668,552	3,271,596	-	-
Community development	618,678	-	-	-
Parks and recreation	1,930,922	-	-	-
Total expenditures	8,561,839	3,271,596	1,118,786	-
REVENUES OVER (UNDER) EXPENDITURES	(35,941)	(55,899)	(99,143)	2,046,682
OTHER FINANCING SOURCES (USES):				
Transfers in	300,183	230,318	-	-
Transfers out	(540,203)	-	-	(230,622)
Total other financing sources (uses)	(240,020)	230,318	-	(230,622)
CHANGES IN FUND BALANCES	(275,961)	174,419	(99,143)	1,816,060
FUND BALANCES:				
Beginning of year	2,157,226	9,937	404,420	416,170
End of year	<u>\$ 1,881,265</u>	<u>\$ 184,356</u>	<u>\$ 305,277</u>	<u>\$ 2,232,230</u>

City of Placerville
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds Development Impact Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ -	\$ 290,224
Sales tax	-	-	7,858,461
Transient occupancy taxes	-	-	218,501
Other taxes	-	-	216,027
Franchise fees	-	-	329,248
Licenses and permits	-	-	138,726
Fines and forfeitures	-	104,989	153,262
Use of money and property	4,367	22,971	205,486
Intergovernmental	-	519,714	4,670,311
Charges for services	413,489	333,456	1,574,622
Grant revenues	184,493	154,852	339,345
Other revenues	48	-	552,086
Total revenues	602,397	1,135,982	16,546,299
EXPENDITURES:			
Current:			
General government	-	274,315	2,822,137
Public safety	-	276,896	4,191,547
Highways and streets	335,046	166,568	4,441,762
Community development	-	-	618,678
Parks and recreation	-	121,526	2,052,448
Total expenditures	335,046	839,305	14,126,572
REVENUES OVER (UNDER) EXPENDITURES	267,351	296,677	2,419,727
OTHER FINANCING SOURCES (USES):			
Transfers in	-	295,690	826,191
Transfers out	-	(235,022)	(1,005,847)
Total other financing sources (uses)	-	60,668	(179,656)
CHANGES IN FUND BALANCES	267,351	357,345	2,240,071
FUND BALANCES:			
Beginning of year	1,490,606	556,369	5,034,728
End of year	\$ 1,757,957	\$ 913,714	\$ 7,274,799

(Concluded)

City of Placerville
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	2,240,071
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds reported capital asset acquisitions as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.		3,121,621
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds.		(717,780)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.		(10,000)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Principal payment of long-term debt		155,807
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.		
Changes in compensated absences		24,262
Changes in net pension liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 7).		(1,681,704)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.		592,221
Changes in total OPEB liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 6).		(72,218)
The net effect of various miscellaneous transactions involving OPEB plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.		(109,398)
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.		(1,868,428)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities.		(80,395)
Change in Net Position of Governmental Activities	\$	1,599,176

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Placerville
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 549,277	\$ 926,174	\$ 1,391,325	\$ 2,866,776	\$ 682,515
Receivables:					
Accounts	234,924	53,123	160,210	448,257	34,108
Interest	1,214	907	1,138	3,259	-
Utility billings, net	570,246	1,636,651	-	2,206,897	-
Due from other funds	80,166	80,149	-	160,315	-
Advances to other funds	-	-	-	-	392,947
Total current assets	1,435,827	2,697,004	1,552,673	5,685,504	1,109,570
Noncurrent assets:					
Restricted assets:					
Cash with fiscal agents	-	1,691,519	-	1,691,519	-
Capital assets:					
Non-depreciable assets	3,650,527	2,799,665	-	6,450,192	-
Depreciable assets, net of accumulated depreciation	3,942,219	55,115,714	-	59,057,933	-
Total capital assets, net	7,592,746	57,915,379	-	65,508,125	-
Total noncurrent assets	7,592,746	59,606,898	-	67,199,644	-
Total assets	9,028,573	62,303,902	1,552,673	72,885,148	1,109,570
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	230,500	673,640	-	904,140	-
Total deferred outflows of resources	230,500	673,640	-	904,140	-

City of Placerville
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
LIABILITIES					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	148,592	236,340	-	384,932	18,441
Deposits payable	31,946	2,339	-	34,285	-
Interest payable	1,348	273,905	-	275,253	-
Due to other funds	-	-	-	-	-
Long term debt - due within one year	40,047	1,900,708	-	1,940,755	-
Total current liabilities	221,933	2,413,292	-	2,635,225	18,441
Noncurrent liabilities:					
Claims payable - due in more than one year	-	-	-	-	338,816
Long term debt - due in more than one year	110,315	49,561,681	-	49,671,996	-
Total OPEB liability (Note 8)	237,958	662,212	-	900,170	-
Aggregate net pension liability (Note 7)	971,952	2,840,544	-	3,812,496	-
Total noncurrent liabilities	1,320,225	53,064,437	-	54,384,662	338,816
Total liabilities	1,542,158	55,477,729	-	57,019,887	357,257
DEFERRED INFLOWS OF RESOURCES					
Pension-related deferred inflows of resources	13,655	39,908	-	53,563	-
OPEB-related deferred inflows of resources	10,058	27,992	-	38,050	-
Total deferred inflows of resources	23,713	67,900	-	91,613	-
Net Position (Deficit):					
Net investment in capital assets	7,442,384	6,452,990	-	13,895,374	-
Restricted	-	1,691,519	-	1,691,519	-
Unrestricted (deficit)	250,818	(712,596)	1,552,673	1,090,895	752,313
Total net position (deficit)	\$ 7,693,202	\$ 7,431,913	\$ 1,552,673	\$ 16,677,788	\$ 752,313

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City of Placerville
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Measure H Fund		
OPERATING REVENUES:					
Charges for services	\$ 1,870,888	\$ 5,468,603	\$ -	\$ 7,339,491	\$ 286,899
Sales tax	-	-	1,018,232	1,018,232	-
Other operating revenues	17,225	16,086	-	33,311	133,257
Total operating revenues	1,888,113	5,484,689	1,018,232	8,391,034	420,156
OPERATING EXPENSES:					
General and administrative	414,711	627,554	-	1,042,265	783,351
Maintenance and operations	1,255,597	2,983,628	-	4,239,225	150,140
Depreciation	196,288	1,899,949	-	2,096,237	-
Total operating expenses	1,866,596	5,511,131	-	7,377,727	933,491
OPERATING INCOME (LOSS)	21,517	(26,442)	1,018,232	1,013,307	(513,335)
NONOPERATING REVENUES (EXPENSES):					
Grants	-	104,343	-	104,343	-
Connection fees	142,516	224,500	-	367,016	-
Interest income	3,364	20,953	4,027	28,344	161
Interest expense and fiscal charges	(4,903)	(848,237)	-	(853,140)	-
Total nonoperating revenues (expenses)	140,977	(498,441)	4,027	(353,437)	161
INCOME (LOSS) BEFORE TRANSFERS	162,494	(524,883)	1,022,259	659,870	(513,174)
TRANSFERS:					
Transfers in	54,462	549,223	-	603,685	507,779
Transfers out	(124,329)	(129,098)	(603,381)	(856,808)	(75,000)
Total contributions and transfers	(69,867)	420,125	(603,381)	(253,123)	432,779
CHANGES IN NET POSITION	92,627	(104,758)	418,878	406,747	(80,395)
NET POSITION:					
Beginning of year, as restated (Note 14)	7,600,575	7,536,671	1,133,795	16,271,041	832,708
End of year	<u>\$ 7,693,202</u>	<u>\$ 7,431,913</u>	<u>\$ 1,552,673</u>	<u>\$ 16,677,788</u>	<u>\$ 752,313</u>

City of Placerville
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Measure H Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 3,325,952	\$ 5,414,027	\$ -	\$ 8,739,979	\$ 647,256
Cash received from sales taxes	-	-	1,043,547	1,043,547	-
Cash payments to suppliers and employees for goods and services	(2,616,912)	(3,191,432)	(104,337)	(5,912,681)	(1,277,722)
Cash received from (paid for) other activities	17,225	16,086	-	33,311	133,257
Net cash provided by (used in) operating activities	<u>726,265</u>	<u>2,238,681</u>	<u>939,210</u>	<u>3,904,156</u>	<u>(497,209)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(292,783)	(296,514)	-	(589,297)	-
Principal paid on capital-related debt	(38,639)	(1,795,808)	-	(1,834,447)	-
Interest paid on capital-related debt	(5,370)	(849,409)	-	(854,779)	-
Capital grant proceeds	-	104,343	-	104,343	-
Connection fees	142,516	224,500	-	367,016	-
Net cash (used in) capital and related financing activities	<u>(194,276)</u>	<u>(2,612,888)</u>	<u>-</u>	<u>(2,807,164)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances (to)/from other funds	-	-	-	-	300,000
Transfers in	54,462	549,223	-	603,685	507,779
Transfers (out)	(124,329)	(129,098)	(603,381)	(856,808)	(75,000)
Net cash provided by (used in) noncapital financing activities	<u>(69,867)</u>	<u>420,125</u>	<u>(603,381)</u>	<u>(253,123)</u>	<u>732,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	2,150	21,208	4,291	27,649	161
Net cash provided by investing activities	<u>2,150</u>	<u>21,208</u>	<u>4,291</u>	<u>27,649</u>	<u>161</u>
Net change in cash and cash equivalents	464,272	67,126	340,120	871,518	235,731
CASH AND CASH EQUIVALENTS:					
Beginning of year	85,005	2,550,567	1,051,205	3,686,777	446,784
End of year	<u>\$ 549,277</u>	<u>\$ 2,617,693</u>	<u>\$ 1,391,325</u>	<u>\$ 4,558,295</u>	<u>\$ 682,515</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$ 549,277	\$ 926,174	\$ 1,391,325	\$ 2,866,776	\$ 682,515
Restricted cash and cash equivalents	-	1,691,519	-	1,691,519	-
Total cash and cash equivalents	<u>\$ 549,277</u>	<u>\$ 2,617,693</u>	<u>\$ 1,391,325</u>	<u>\$ 4,558,295</u>	<u>\$ 682,515</u>

City of Placerville
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 21,517	\$ (26,442)	\$ 1,018,232	\$ 1,013,307	\$ (513,335)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	196,288	1,899,949	-	2,096,237	-
Changes in operating assets and liabilities:					
Accounts receivable	1,502,483	(45,677)	25,315	1,482,121	264,593
Utility billings, net	(44,091)	(218,887)	-	(262,978)	-
Due from other funds	(3,328)	209,988	-	206,660	95,764
Pension-related deferred outflows	(2,343)	(6,844)	-	(9,187)	-
Accounts payable and accrued liabilities	(929,777)	93,112	-	(836,665)	(100,777)
Deposits payable	(1,025)	-	-	(1,025)	-
Due to other funds	(128,364)	-	(104,337)	(232,701)	(235,176)
Claims and judgments payable	-	-	-	-	(8,278)
Total OPEB liability	6,640	18,478	-	25,118	-
Aggregate net pension liability	110,408	322,668	-	433,076	-
OPEB-related deferred inflows	13,655	39,908	-	53,563	-
Pension-related deferred inflows	(15,798)	(47,572)	-	(63,370)	-
Total adjustments	704,748	2,265,123	(79,022)	2,890,849	16,126
Net cash provided by (used in) operating activities	\$ 726,265	\$ 2,238,681	\$ 939,210	\$ 3,904,156	\$ (497,209)

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Placerville
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Public Financing Authority Agency Fund	Other Agency Funds	Total
ASSETS			
Cash and investments	\$ 139,332	\$ 384,289	\$ 523,621
Receivables:			
Accounts	-	2,503	2,503
Interest	89	177	266
Total assets	\$ 139,421	\$ 386,969	\$ 526,390
LIABILITIES			
Accounts payable	\$ -	\$ 18,835	\$ 18,835
Deposits payable	27,906	368,134	396,040
Due to bondholders	111,515	-	111,515
	\$ 139,421	\$ 386,969	\$ 526,390

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**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

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City of Placerville
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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City of Placerville
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Placerville, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City was incorporated in 1854, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides services including general government, public works, public safety, water, sewer treatment, and parks and recreation. Control or dependence is determined on the basis of budget adoption, selection of governing authority and designation of management, outstanding debt secured by revenues or general obligations of the City and ability to significantly influence operations.

The financial reporting entity, as defined by the GASB, consists of the primary government, the City, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

Placerville Public Financing Authority (“Authority”) is a legal joint powers entity created by the City. The Authority’s Board of Directors is comprised of the City’s Council Members, City Manager, and Assistant City Manager/Director of Finance, and all accounting and administrative functions are performed by the City.

As a result, this organization is considered a component unit of the City and is included within the basic financial statements of the City using the blended method. The City does not issue separate audited financial statements for the Authority. However, separate financial information for this component unit can be obtained from the City’s Finance Department. All entities included in this financial statement maintain June 30th as their fiscal year-end.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Government-Wide Financial Statement

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the statement of activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Governmental Funds Financial Statements

Governmental Funds Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized when 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 pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements (Continued)

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Transportation Development Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the Transportation Development Act Funds and transportation grants.

The *Measure J Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the 0.25% add on sales tax to supplement the City's police services.

The *Measure L Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the 0.50% add on sales tax to supplement the maintenance of the City's streets, sewer system, and water system.

The *Development Impact Fees Special Revenue Fund* is used to account for revenues and expenditures associated with the administration of the traffic impact mitigation fees collected by the City.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

The City reports the following major proprietary funds:

The *Water Fund* is used for the operation and maintenance of a water system consisting of acquisition, distribution pipeline, and pumps. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the water distribution system required due to growth.

The *Sewer Fund* is responsible for the treatment of industrial and domestic wastewater. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the water reclamation facility and collection system required due to growth.

The *Measure H Fund* is used to account for revenues and expenses associated with the administration of the 0.25% add-on sales tax that augments the Water and Sewer Funds in paying for related debt and infrastructure replacement costs.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for services provided to other departments of the government, or to other governments, on a cost reimbursement basis. The City has an Internal Service Fund for general liability insurance, property insurance, unemployment insurance, and worker's compensation insurance.

Agency Funds are used to account for resources held by the government in a purely custodial capacity.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Property Taxes

Property taxes, special assessments, sales tax, licenses, intergovernmental revenues, investment earnings, charges for services and fines and penalties associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes attach as an enforceable lien on property. Secured and unsecured property taxes are levied on July 1st. The unsecured and secured property tax lien date is January 1. Unsecured property taxes become delinquent on August 31st. Secured property taxes are payable in two installments, on November 1st and February 1st of each year, and become delinquent on December 10th and April 10th, respectively. The County of El Dorado, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The County is permitted by State law to levy property taxes at 1% of full market value (at time of purchase) and can increase property assessed value no more than 2% per year.

D. Cash, Cash Equivalents, and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all cash and investments with fiscal agent as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurement

GASB Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Receivables

All receivables are shown net of an allowance for doubtful accounts. Service charges revenues (water and sewer) are recorded as billed to customers on a cyclical basis. All utility customers are billed bi-monthly.

G. Interfund Balances/Internal Balances

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

H. Compensated Absences

Amounts of vested or accumulated vacation, sick leave, compensatory time off, floating holidays, management leave, and related benefits on such compensation that are not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Statement of Net Position. No expenditure is reported for these amounts in the Governmental Fund Financial Statements.

I. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and infrastructure assets (e.g., streets, bridges, storm drains, sewer and water lines, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General capital assets	\$ 5,000
Infrastructure capital assets	100,000

Depreciation has been provided on a straight-line basis over the following estimated useful lives:

	Years
General Capital Assets:	
Building, Improvements	40
Improvements, other than Buildings	25
Furniture and Fixtures	5
Machinery and Equipment	5
Vehicles	5
Infrastructure:	
Water / Sewer Lines	25
Streets	40

J. Unearned/Unavailable Revenue

In the Government-Wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are long-term assessments, long-term loans receivable, and prepaid charges for services.

In the Fund Financial Statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and loans receivable.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

L. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 8). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period:	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

M. Long-Term Liabilities

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements the long-term debt and other financed obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as expenditures.

In the Fund Financial Statements, proprietary fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Net Position and Fund Equity

Government-Wide Financial Statements and Proprietary Fund Financial Statements

In government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as land held for development, long term portions of receivables, inventories, prepaid items, and also items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and all of its component units.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has the authority to assign funds for the City of Placerville.

Unassigned: This category is for all balances that have no restrictions placed upon them. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to the purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Net Position and Fund Equity (Continued)

Fund Financial Statements (Continued)

Spending Policy

For Government-Wide Financial Statements and Proprietary Fund Financial Statements, when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first.

For Governmental Fund Financial Statements, the City's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available, except for instances wherein a City ordinance or resolutions specifies the fund balance. The City's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances have been spent, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, except for instances wherein a City ordinance specifies the fund balance.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

P. Accounting Changes

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2018. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 75 which is reflected on the accompanying City's financial statements.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not have a material effect on the financial statements of the City.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Accounting Changes (Continued)

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018 (Continued)

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not have a material effect on the financial statements of the City.

Upcoming Government Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Accounting Changes (Continued)

Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Accounting Changes (Continued)

Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

A. Summary of Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2018:

	Primary Government			Fiduciary	
	Governmental	Business-type	Total		
	Activities	Activities			
Cash and investments	\$ 1,735,194	\$ 2,866,776	\$ 4,601,970	\$ 523,621	\$ 5,125,591
Restricted cash and investments	4,411,620	-	4,411,620	-	4,411,620
Cash and investments with fiscal agent	-	1,691,519	1,691,519	-	1,691,519
Total	\$ 6,146,814	\$ 4,558,295	\$ 10,705,109	\$ 523,621	\$ 11,228,730

Cash, cash equivalents, and investments, consisted of the following at June 30, 2018:

Cash and cash equivalents:	
Petty cash	\$ 3,355
Demand deposits	8,136,509
Investments:	
Local Agency Investment Fund	1,397,347
Money market funds	1,691,519
Total	\$ 11,228,730

B. Cash Deposits

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City invests to enhance interest earnings. The pooled interest earned is allocated to the funds quarterly, based on the average daily cash and investment balances in each fund.

At June 30, 2018, the carrying amount of the City's deposits was \$8,136,509. Bank balances before reconciling items were \$913,701 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

B. Cash Deposits (Continued)

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Investments

At June 30, 2018, cash and investments, excluding restricted cash and investments held by fiscal agent, are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2018:

<u>Investment Type</u>	<u>Total as of June 30, 2018</u>	<u>Percentage of Investments</u>	<u>Measurement Inputs</u>
Local Agency Investment Fund	\$ 1,397,347	45.24%	N/A
Money market funds	<u>1,691,519</u>	54.76%	Not Rated
Total	<u><u>\$ 3,088,866</u></u>		

The City is authorized by State statutes and in accordance with the City’s Investment Policy (Policy) to invest in the following:

- Bankers Acceptances
- California Local Agency Investment Fund (LAIF)
- Certificates of Deposit
- Commercial Paper (Corporations)
- County Pooled Funds
- Medium-Term Corporate Notes
- Money Market Accounts
- Mutual Funds
- Negotiable Certificates of Deposit
- Passbook Savings and Demand Deposits Accounts
- Repurchase Agreements collateralized by U.S. Securities or U.S. Government Federal Agencies
- Reverse Purchase Agreements
- U.S. Treasury Securities

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

C. Investments (Continued)

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The City’s investments comply with the established policy.

Investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

Unrealized gain/(loss) in changes in fair value of investments	\$	(2,617)
Interest income		56,505
Total investment income	\$	53,888

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year that matured or were called/sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

The City’s portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise.

The portfolio, for year-end reporting purposes, is treated as if it were all sold. Therefore, fund balance reflects the portfolio’s change in value. These portfolio value changes are unrealized unless sold. The City’s policy is to buy and hold investments until their maturity dates.

Investments held by Fiscal Agent. The investments held by fiscal agents in the amount of \$1,691,519 are to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable City ordinances, resolutions, or bond indentures.

D. Risk Disclosures

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, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2018, the City’s pooled cash and investments had the following maturities:

	Amount	Maturities 1 year or less
Cash and cash equivalent:		
Petty cash	\$ 3,355	\$ 3,355
Demand deposits	8,136,509	8,136,509
Investments:		
Local Agency Investment Fund	1,397,347	1,397,347
Money market funds	1,691,519	1,691,519
Total	\$ 11,228,730	\$ 11,228,730

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified thru the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only on type of investments allowed for municipalities by the Government Code as listed on the City's investment policy and investing only on instruments that are most credit worthy.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Agency Investment Fund	\$ 1,397,347	Not Rated	Not Rated
Money market funds	1,691,519	Not Rated	Not Rated
Total	\$ 3,088,866		

According to the City's investment policy, the aggregate investment in medium-term notes will not exceed 10% of the City's total portfolio. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

The City's investments (excluding investments held by fiscal agents) are only in Local Agency Investment Fund which is not rated by a NRSRO.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

E. Fair Value of Investments

The City's investments are carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included as income for the fiscal year. Changes in value in the fiscal year ended June 30, 2018, amounted to an unrealized loss of \$2,617.

F. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2018, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2018, the City had \$1,397,347 invested in LAIF, which had invested 2.67% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2018, the City had the following short-term interfund receivables and payables:

Due From	Due To		
	Governmental Activities		
	Transportation Development	Non-Major	Total
Governmental Activities			
General	\$ 169,025	\$ 10,546	\$ 179,571
Non-Major	8		8
Business-Type Activities			
Water	80,166	-	80,166
Sewer	80,149	-	80,149
Totals	\$ 329,348	\$ 10,546	\$ 339,894

These balances resulted from short-term loans used to cover operating cash deficits at year-end. These amounts will be repaid in the following fiscal year.

B. Long-Term Advances

At June 30, 2018, the City had the following long-term interfund advances:

Advances From Other Funds	Advances to Other Funds		
	Governmental Activities		
	Transportation Development	Non-Major	Total
Governmental Activities			
General Fund	\$ -	\$ 127,869	\$ 127,869
Internal Service	250,000	142,947	392,947
Totals	\$ 250,000	\$ 270,816	\$ 520,816

These balances resulted from long-term loans used to cover operating cash deficits at year-end. These amounts will be repaid with future revenues.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions (Continued)

C. Transfers In and Out

At June 30, 2018, the City had the following transfers:

Transfers Out	Transfers In						
	Governmental Activities				Business-Type Activities		Total
	General	Transportation Development	Non-Major	Internal Service Fund	Water	Sewer	
Governmental Activities							
General	\$ -	\$ -	\$ 295,690	\$ 244,513	\$ -	\$ -	\$ 540,203
Measure L	-	230,318	-	-	-	304	230,622
Non-Major	225,183	-	-	9,839	-	-	235,022
Internal Service Fund	75,000	-	-	-	-	-	75,000
Business-Type Activities							
Water	-	-	-	124,329	-	-	124,329
Sewer	-	-	-	129,098	-	-	129,098
Measure H	-	-	-	-	54,462	548,919	603,381
Totals	<u>\$ 300,183</u>	<u>\$ 230,318</u>	<u>\$ 295,690</u>	<u>\$ 507,779</u>	<u>\$ 54,462</u>	<u>\$ 549,223</u>	<u>\$ 1,937,655</u>

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorizations.

Note 4 – Capital Assets

A. Government-Wide Financial Statements

At June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land and improvements	\$ 12,933,540	\$ 2,328,974	\$ 15,262,514
Construction in progress	15,109,805	4,121,218	19,231,023
Total non-depreciable assets	<u>28,043,345</u>	<u>6,450,192</u>	<u>34,493,537</u>
Depreciable Assets:			
Building and structures	12,265,779	73,861,671	86,127,450
Machinery and equipment	3,011,812	1,318,530	4,330,342
Infrastructure	13,518,591	50,016,642	63,535,233
	<u>28,796,182</u>	<u>125,196,843</u>	<u>153,993,025</u>
Less accumulated depreciation	<u>(10,388,929)</u>	<u>(66,138,910)</u>	<u>(76,527,839)</u>
Total depreciable assets, net	<u>18,407,253</u>	<u>59,057,933</u>	<u>77,465,186</u>
Total capital assets	<u>\$ 46,450,598</u>	<u>\$ 65,508,125</u>	<u>\$ 111,958,723</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Capital Assets (Continued)

A. Government-Wide Financial Statements (Continued)

In fiscal year ended June 30, 2018, the City counted, valued and reported its capital assets, including infrastructure for its governmental activities and business-type activities, as shown in the following tables.

Governmental Activities

The following is a summary of changes in capital assets for governmental activities:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Non-Depreciable Assets:					
Land and improvements	\$ 12,831,451	\$ 102,089	\$ -	\$ -	\$ 12,933,540
Construction in progress	13,841,753	2,890,930	-	(1,622,878)	15,109,805
Total non-depreciable assets	<u>26,673,204</u>	<u>2,993,019</u>	<u>-</u>	<u>(1,622,878)</u>	<u>28,043,345</u>
Depreciable Assets:					
Building and structures	12,204,090	-	-	61,689	12,265,779
Machinery and equipment	2,937,615	128,602	(54,405)	-	3,011,812
Infrastructure	11,957,402	-	-	1,561,189	13,518,591
Total depreciable assets	<u>27,099,107</u>	<u>128,602</u>	<u>(54,405)</u>	<u>1,622,878</u>	<u>28,796,182</u>
Less accumulated depreciation	<u>(9,715,554)</u>	<u>(717,780)</u>	<u>44,405</u>	<u>-</u>	<u>(10,388,929)</u>
Total depreciable assets, net	<u>17,383,553</u>	<u>(589,178)</u>	<u>(10,000)</u>	<u>1,622,878</u>	<u>18,407,253</u>
Total capital assets	<u>\$ 44,056,757</u>	<u>\$ 2,403,841</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 46,450,598</u>

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2018 was as follows:

General government	\$ 280,379
Public safety	60,625
Highways and street	328,645
Community Development	26,215
Parks and recreation	21,916
Total	<u>\$ 717,780</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Capital Assets (Continued)

B. Business-Type Activities

The following is a summary of changes in capital assets for business-type activities:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Non-Depreciable Assets:					
Land and improvements	\$ 2,328,974	\$ -	\$ -	\$ -	\$ 2,328,974
Construction in progress	4,968,142	589,297	-	(1,436,221)	4,121,218
Total non-depreciable assets	<u>7,297,116</u>	<u>589,297</u>	<u>-</u>	<u>(1,436,221)</u>	<u>6,450,192</u>
Depreciable Assets:					
Building and structures	73,861,671	-	-	-	73,861,671
Machinery and equipment	1,318,530	-	-	-	1,318,530
Infrastructure	48,580,421	-	-	1,436,221	50,016,642
Total depreciable assets	123,760,622	-	-	1,436,221	125,196,843
Less accumulated depreciation	<u>(64,042,673)</u>	<u>(2,096,237)</u>	<u>-</u>	<u>-</u>	<u>(66,138,910)</u>
Total depreciable assets, net	<u>59,717,949</u>	<u>(2,096,237)</u>	<u>-</u>	<u>1,436,221</u>	<u>59,057,933</u>
Total capital assets	<u>\$ 67,015,065</u>	<u>\$ (1,506,940)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,508,125</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2018, were as follows:

Water	\$ 196,288
Sewer	<u>1,899,949</u>
Total	<u>\$ 2,096,237</u>

C. Fund Financial Statements

The fund financial statements do not present general government capital assets but they are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Long-Term Debt

A. Government-Wide Financial Statements

Following is a summary of all long-term debt balances for the fiscal year ended June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 161,617	\$ 1,940,755	\$ 2,102,372
Noncurrent portion of long-term debt			
2006 State Revolving Loan	-	32,292,852	32,292,852
2006 Sewer Revenue Bonds	-	17,117,500	17,117,500
1997 State Revolving Loan	-	-	-
2017 City Hall Capital Lease	172,376	103,074	275,450
2015 Equipment Lease	222,072	158,570	380,642
Total noncurrent portion of long-term debt	394,448	49,671,996	50,066,444
Total long-term debt	\$ 556,065	\$ 51,612,751	\$ 52,168,816

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due within one year	Due in more than one year
2017 City Hall Capital Lease	\$ 390,113	\$ -	\$ 106,694	\$ 283,419	\$ 111,043	\$ 172,376
2015 Equipment Lease	321,759	-	49,113	272,646	50,574	222,072
Total	\$ 711,872	\$ -	\$ 155,807	\$ 556,065	\$ 161,617	\$ 394,448

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due within one year	Due in more than one year
2006 State Revolving Loan	\$ 35,350,114	\$ -	\$ 1,528,631	\$ 33,821,483	\$ 1,528,631	\$ 32,292,852
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	97,500	17,117,500
1997 State Revolving Loan	422,220	-	208,504	213,716	213,716	-
2017 City Hall Capital Lease	233,270	-	63,798	169,472	66,398	103,074
2015 Equipment Lease	226,594	-	33,514	193,080	34,510	158,570
Total	\$ 53,447,198	\$ -	\$ 1,834,447	\$ 51,612,751	\$ 1,940,755	\$ 49,671,996

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Long-Term Debt (Continued)

A. Government-Wide Financial Statements (Continued)

Business-Type Activities (Continued)

Capital Leases

In 2005, the City secured a capital lease in the amount of \$2,052,000 with an interest rate of 5.08% in order to finance tenant improvements to the first three floors of the City Hall facility, located at 3101 Center Street, new exterior painting, brick façade, sidewalks, and street improvements around facility. In 2018, the City refinanced the capital lease for the remaining term with a preferred 2.76% interest rate. The Lease payable is allocated between the governmental activities, 63%, and business-type activities, 37%. Principal and interest payments are due in April and October each year. The annual debt service requirements for the City Hall Capital Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 177,441	\$ 11,284	\$ 188,725
2020	182,372	6,353	188,725
2021	93,078	1,284	94,362
Total	<u>\$ 452,891</u>	<u>\$ 18,921</u>	<u>\$ 471,812</u>

In February 2015, the City secured a capital lease in the amount of \$706,518 in order to finance 13 pieces of equipment ranging from a folder/insert machine to a street sweeper truck. The interest rate for equipment with a five-year useful life is 2.65% and equipment with a ten-year useful life is 3.00%. The Lease payable is allocated between the governmental activities, 59.44%, and business-type activities, 40.56%. Principal and interest payments are due in August and February each year. The annual debt service requirements for the 2015 Equipment Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 85,084	\$ 13,125	\$ 98,209
2020	87,615	10,595	98,210
2021	55,222	8,246	63,468
2022	56,864	6,604	63,468
2023	58,555	4,913	63,468
2024-2025	122,386	4,548	126,934
Total	<u>\$ 465,726</u>	<u>\$ 48,031</u>	<u>\$ 513,757</u>

The City entered into two capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

	<u>June 30, 2018</u>
Building and structures	\$ 2,052,000
Machinery and equipment	<u>706,518</u>
Assets under capitalized lease, at cost	2,758,518
Accumulated depreciation	<u>(1,000,266)</u>
Assets under capitalized lease, net	<u>\$ 1,758,252</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Long-Term Debt (Continued)

A. Government-Wide Financial Statements (Continued)

Business-Type Activities (Continued)

Revenue Bonds Payable

On March 14, 2006, the Placerville PFA issued the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds in the amount of \$17,215,000 pursuant to an Indenture by and between the Placerville PFA and Union Bank of California, N.A. as Trustee. A portion of the proceeds from the Bonds were used to refinance the Series 1994 Sewer Revenue Refunding and Phase II Improvement Bonds. The remainder of the Bond proceeds are being used to partially finance State mandated improvements to the City's Wastewater Treatment Plant, relocate and replace a section of sewer line along Hangtown Creek, and construct other capital projects related to the Wastewater System. The bonds are payable solely from wastewater net revenues and are payable through 2034. Annual interest payments for the Fiscal Year ended June 30, 2018, required 18.75% of net revenues. The total remaining principal and interest to be paid on the bonds is \$28,167,483. Interest paid for the current year and total net revenues were \$830,658 and \$4,430,433, respectively. Principal payments are due September 1 of each year beginning in 2018 and interest payments ranging from 4.00% to 5.00% are due March 1 and September 1 of each year. The annual debt service requirements for the Series 2006 Wastewater System Refinancing and Improvement Project Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 97,500	\$ 830,657	\$ 928,157
2020	200,000	826,758	1,026,758
2021	210,000	818,758	1,028,758
2022	220,000	809,954	1,029,954
2023	230,000	800,329	1,030,329
2024-2028	1,362,500	3,837,118	5,199,618
2029-2033	10,807,500	2,755,284	13,562,784
2034-2035	4,087,500	273,625	4,361,125
Total	<u>\$ 17,215,000</u>	<u>\$ 10,952,483</u>	<u>\$ 28,167,483</u>

1997 State Revolving Loans

In 1997, the City secured a State Revolving Loan in the amount of \$3,247,671 and an interest rate of 2.6% to construct improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2019. Annual principal and interest payments on the loan for the fiscal year ended June 30, 2018, required 5.18% of net revenues. The total remaining principal and interest to be paid on the loan is \$219,274. Principal and interest paid for the current year and total net revenues were \$229,482 and \$4,430,433, respectively. Principal and interest payments are due in February of each year. The annual debt service requirements for the 1997 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 213,716	\$ 5,558	\$ 219,274
Total	<u>\$ 213,716</u>	<u>\$ 5,558</u>	<u>\$ 219,274</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Long-Term Debt (Continued)

A. Government-Wide Financial Statements (Continued)

Business-Type Activities (Continued)

2006 State Revolving Loans

In 2006, the City secured a State Revolving Loan in the amount of \$42,864,638 with an interest rate of 0.00% to partially finance improvements to the Wastewater Treatment Plant in order to comply with State mandated requirements at that time. The loan is payable solely from wastewater net revenues and are payable through 2040. Annual principal payments on the loan for the fiscal year ended June 30, 2018, required 34.50% of net revenues. The total remaining principal to be paid on the loan is \$33,821,483. Principal paid for the current year and total net revenues were \$1,528,631 and \$4,430,433 respectively. Principal payments are due in September and March of each year. The annual debt service requirements for the 2006 State Revolving Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,528,631	\$ -	\$ 1,528,631
2020	1,528,631	-	1,528,631
2021	1,528,631	-	1,528,631
2022	1,528,631	-	1,528,631
2023	1,528,631	-	1,528,631
2024-2028	7,643,156	-	7,643,156
2029-2033	7,643,156	-	7,643,156
2034-2038	7,643,156	-	7,643,156
2039-2040	3,248,860	-	3,248,860
Total	<u>\$ 33,821,483</u>	<u>\$ -</u>	<u>\$ 33,821,483</u>

Annual debt service requirements for all bonds, loans, and capital leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,102,372	\$ 860,624	\$ 2,962,996
2020	1,998,618	843,706	2,842,324
2021	1,886,931	828,288	2,715,219
2022	1,805,495	816,558	2,622,053
2023	1,817,186	805,242	2,622,428
2024-2028	9,128,042	3,841,666	12,969,708
2029-2033	18,450,656	2,755,284	21,205,940
2034-2038	11,730,656	273,625	12,004,281
2039-2040	3,248,860	-	3,248,860
Total	<u>\$ 52,168,816</u>	<u>\$ 11,024,993</u>	<u>\$ 63,193,809</u>

B. Fund Financial Statements

The fund financial statements do not present general government long-term debt but it is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Compensated Absences

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$1,178,233. The City primarily uses the General Fund to liquidate compensated absences.

Note 7 – Public Employees’ Retirement System

The following is a summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 597,319	\$ 295,382	\$ 892,701
CalPERS Safety	568,532	-	568,532
Total pension contribution made after measurement date	<u>1,165,851</u>	<u>295,382</u>	<u>1,461,233</u>
Change in assumption:			
CalPERS Miscellaneous	828,460	409,685	1,238,145
CalPERS Safety	827,996	-	827,996
Total change in assumption	<u>1,656,456</u>	<u>409,685</u>	<u>2,066,141</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	202,829	100,302	303,131
CalPERS Safety	195,538	-	195,538
Total projected earnings on pension plan investments in excess of actual earnings	<u>398,367</u>	<u>100,302</u>	<u>498,669</u>
Adjustment due to difference in proportions:			
CalPERS Miscellaneous	156,222	77,254	233,476
CalPERS Safety	48,508	-	48,508
Total adjustment due to difference in proportions	<u>204,730</u>	<u>77,254</u>	<u>281,984</u>
Difference between expected and actual experience:			
CalPERS Safety	45,715	-	45,715
Total difference between expected and actual experience	<u>45,715</u>	<u>-</u>	<u>45,715</u>
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	43,514	21,517	65,031
CalPERS Safety	3,773	-	3,773
Total employer contributions in excess of proportionate share of contribution	<u>47,287</u>	<u>21,517</u>	<u>68,804</u>
Total deferred outflows of resources:			
CalPERS Miscellaneous	1,828,344	904,140	2,732,484
CalPERS Safety	1,690,062	-	1,690,062
Total deferred outflows of resources	<u>\$ 3,518,406</u>	<u>\$ 904,140</u>	<u>\$ 4,422,546</u>
Net pension liabilities:			
CalPERS Miscellaneous	7,709,593	3,812,496	\$ 11,522,089
CalPERS Safety	6,905,882	-	6,905,882
Total net pension liabilities	<u>\$ 14,615,475</u>	<u>\$ 3,812,496</u>	<u>\$ 18,427,971</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred inflows of Resources:			
Adjustment due to difference in proportions:			
CalPERS Safety	\$ 90,401	\$ -	\$ 90,401
Total adjustment due to difference in proportions	<u>90,401</u>	<u>-</u>	<u>90,401</u>
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	11,985	5,927	17,912
CalPERS Safety	32,378	-	32,378
Total employer contributions in excess of proportionate share of contribution	<u>44,363</u>	<u>5,927</u>	<u>50,290</u>
Difference between expected and actual experience:			
CalPERS Miscellaneous	96,329	47,636	143,965
Total difference between expected and actual experience	<u>96,329</u>	<u>47,636</u>	<u>143,965</u>
Total deferred inflows of resources:			
CalPERS Miscellaneous	108,314	53,563	161,877
CalPERS Safety	122,779	-	122,779
Total deferred inflows of resources	<u>\$ 231,093</u>	<u>\$ 53,563</u>	<u>\$ 284,656</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 1,257,016	\$ 621,611	\$ 1,878,627
CalPERS Safety	783,723	-	783,723
Total net pension expenses	<u>\$ 2,040,739</u>	<u>\$ 621,611</u>	<u>\$ 2,662,350</u>

Pension Plans

Plan Description

Substantially all City employees working the equivalent of 1,000 hours or more per fiscal year are required to participate in the Miscellaneous Classic, Safety Classic, Miscellaneous Second-Tier, Safety Second-Tier, Miscellaneous PEPRA or Safety PEPRA cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for classic safety and miscellaneous employees are calculated as 3% and 2.5 %, respectively, of the average final 36 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Plan Description (Continued)

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service.

Employees Covered by Benefit Terms

At June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Miscellaneous Second Tier</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety Second Tier</u>	<u>Safety PEPRA</u>
Active employees	33	5	24	7	3	8
Transferred and terminated employees	57	11	9	40	2	3
Retired employees and beneficiaries	83	1	1	39	-	1
Total	<u>173</u>	<u>17</u>	<u>34</u>	<u>86</u>	<u>5</u>	<u>12</u>

Benefits Provided

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 36 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Following are the benefit provisions for each plan:

	<u>Miscellaneous</u>	<u>Miscellaneous Second Tier</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety Second Tier</u>	<u>Safety PEPRA</u>
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62	50	55	50-57
Monthly benefits, as a % of eligible compensation	2.5%	2.0%	2.0%	3.0%	3.0%	2.7%
Required employee contribution rate	8.000%	7.000%	6.250%	9.000%	9.000%	11.500%
Required employer contribution rate	10.366%	9.241%	6.939%	19.416%	17.614%	12.141%

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended, the active employee contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, and 12.082% for the Safety PEPRA Plan, and 6.50%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 10.366% of annual payroll for the Miscellaneous Classic Plan, 19.416% for the Safety Classic Plan, 12.141% for the Safety PEPRA Plan, and 6.939% for the Miscellaneous PEPRA Plan.

For the year ended June 30, 2018, the plan’s employer contributions made for each Plan was as follows:

Miscellaneous	\$	892,701
Safety		568,532
	\$	1,461,233

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

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Miscellaneous			
Balance at: 6/30/16 (Valuation date)	\$ 28,597,463	\$ 18,384,210	\$ 10,213,253
Balance at: 6/30/17 (Measurement date)	32,121,186	20,599,097	11,522,089
Net changes during 2016-2017	3,523,723	2,214,887	1,308,836
Safety			
Balance at: 6/30/16 (Valuation date)	\$ 19,097,795	\$ 12,997,857	\$ 6,099,938
Balance at: 6/30/17 (Measurement date)	21,174,404	14,268,522	6,905,882
Net changes during 2016-2017	2,076,609	1,270,665	805,944
Total net changes during 2016-2017	5,600,332	3,485,552	2,114,780

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

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

	Miscellaneous	Safety	Total
Proportion - June 30, 2016	0.11803%	0.07049%	0.18852%
Proportion - June 30, 2017	0.11618%	0.06964%	0.18582%
Change - Increase/(Decrease)	-0.00185%	-0.00086%	-0.00271%

For the year ended June 30, 2018, the City recognized pension expense of \$821,706 and \$488,725, for the Miscellaneous and Safety plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 892,701	\$ -
Difference between projected and actual earning on pension plan investments	303,131	-
Adjustment due to differences in proportions	233,476	-
Changes in assumptions	1,238,145	-
Difference between actual and expected experience	-	143,965
Difference between employer’s actual contributions and proportionate share of contributions	65,031	17,912
Total	\$ 2,732,484	\$ 161,877

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 568,532	\$ -
Difference between projected and actual earning on pension plan investments	195,538	-
Adjustment due to differences in proportions	48,508	90,401
Changes in assumptions	827,996	-
Difference between actual and expected experience	45,715	-
Difference between employer’s actual contributions and proportionate share of contributions	3,773	32,378
Total	\$ 1,690,062	\$ 122,779

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

	Aggregate Total	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 1,461,233	\$ -
Difference between projected and actual earning on pension plan investments	498,669	-
Adjustment due to differences in proportions	281,984	90,401
Changes in assumptions	2,066,141	-
Difference between actual and expected experience	45,715	143,965
Difference between employer’s actual contributions and proportionate share of contributions	68,804	50,290
Total	\$ 4,422,546	\$ 284,656

For the Miscellaneous Plan and Safety Plan, \$892,701 and \$568,532, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next measurement period (June 30, 2018). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Plans	Safety Plans	Total
2018	\$ 502,634	\$ 190,738	\$ 693,372
2019	849,785	579,116	1,428,901
2020	505,462	343,313	848,775
2021	(179,975)	(114,416)	(294,391)
	\$ 1,677,906	\$ 998,751	\$ 2,676,657

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

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

Actuarial Assumptions (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 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 - 10¹	Real Return Years 11 +²
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.80%	1.39%
Private equity	12.00%	6.60%	6.63%
Real assets	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

The discount rate used to measure the total pension liability was 7.15% for the plans. 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 Section.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Public Employees’ Retirement System (Continued)

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

Discount Rate (Continued)

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

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 position liability for the Plan, calculated using the discount rate for each 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>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>(6.15%)</u>	<u>Rate (7.15%)</u>	<u>(8.15%)</u>
Miscellaneous	\$ 15,940,258	\$ 11,522,089	\$ 7,862,882
Safety	\$ 9,868,542	\$ 6,905,882	\$ 4,484,055
Total	<u>\$ 25,808,800</u>	<u>\$ 18,427,971</u>	<u>\$ 12,346,937</u>

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amounts owed to the pension plan for contributions for the year ended June 30, 2018.

Deferred Compensation Plan

In 1983, the City established a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plans permit all eligible employees to execute an individual agreement with the City for amounts earned by them, to be paid at a future date when certain circumstances are met. These circumstances include termination by reason of retirement, death, disability or other events as provided for in the Plans. Employees may contribute up to \$18,500 of their annual compensation into the deferred compensation plan.

During the fiscal year ended June 30, 1999, the City amended its deferred compensation plan to comply with subsection (g) of the Internal Revenue Code Section 457, which states that assets of the plan are held for exclusive benefit of participants and their beneficiaries. Accordingly, the assets and related liabilities for the ICMA Plan, which amounted to \$3,097,440 at June 30, 2018, have been removed from the basic financial statements of the City, with no impact on fund equity.

During fiscal year 2016/2017, the City established an additional IRS 457 Plan with the California Public Employees Retirement System (CalPERS). The CalPERS IRC Plan had a balance in the amount of \$69,861 as of June 30, 2018.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Post-Retirement Medical Care Benefits

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total OPEB Liability	\$ 2,588,068	\$ 900,170	\$ 3,488,238
Deferred inflows of Resources:			
Changes in assumptions	\$ 109,398	\$ 38,050	\$ 147,448
Total deferred inflows of resources	\$ 109,398	\$ 38,050	\$ 147,448
OPEB Expense	\$ 86,446	\$ 30,074	\$ 116,520

A. Plan Description

The City provides a retiree medical insurance contribution benefit in accordance with employee Memorandums of Understanding, for retired employees. This is a single employer defined benefit OPEB plan. The benefit is applicable to employees who retire from the City of Placerville and,

- Are 53 years of age or older; and
- Have 10 or more years of service with the City of Placerville.

The City contributes an amount each month towards the purchase of medical insurance for the retiree on a pay as you go basis. The monthly amount is determined by the applicable Memorandum of Understanding or salary and benefit provisions for the retired employee. The contribution is based upon the employees' years of service up to a maximum of 20 years, multiplied by the maximum benefit for the respective employee unit. The City pays the contribution amount until the retiree reaches age 65 or dies, whichever occurs first. Although this benefit ends at age 65, retirees who reach 65 or older continue to receive a monthly minimum contribution in the amount \$80.80 until death or disenrollment from the Plan.

B. Funding Policy

The City currently participates in a retiree medical plan through the Special Districts Risk Management Authority (SDRMA). There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If a retiree elects medical insurance coverage through the City, the retiree is responsible for paying the difference between the medical insurance premium and the medical benefit.

The City is evaluating various options for funding the post-retirement medical benefits liability. The City has not established a trust for purposes of funding the required retiree medical insurance contribution but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans on funding a portion or all of the OPEB Expense each year based upon projections from the July 1, 2017, actuarial valuation study performed by Demsey, Filliger & Associates.

C. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability at June 30, 2017 was:

Total OPEB liability	\$ 3,488,238
Total OPEB liability	\$ 3,488,238

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Post-Retirement Medical Care Benefits (Continued)

D. Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.62%
Inflation	3.00%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	RP-2014 Employee Mortality, without projection
Mortality Post-retirement	RP-2014 Healthy Annuitant Mortality, without projection
Pre-retirement turnover	Ranging from 1.3% to 10.8% based on termination rates under the Crocker-Sarason Table T-5 less mortality, increased by 40% at all ages.
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.0% initially reduced by decrements to an ultimate of 5.0% therefore.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.62% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

F. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017 (as restated)	\$ 3,390,901
Changes Recognized for the Measurement Period:	
Service Cost	288,351
Interest on the total OPEB liability	104,326
Changes of assumptions	(178,820)
Benefit payments	(116,520)
Net Changes during July 1, 2017 to June 30, 2018	97,337
Balance at June 30, 2018 (Measurement Date)	<u>\$ 3,488,238</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate -1% (2.62%)	Current Discount Rate (3.62%)	Discount Rate +1% (4.62%)
<u>\$ 3,868,140</u>	<u>\$ 3,488,238</u>	<u>\$ 3,161,768</u>

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Post-Retirement Medical Care Benefits (Continued)

F. Change in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
Discount Rate - 1%	Healthcare Cost Trend Rates	Discount Rate + 1%
(5.5% decreasing to 4.0%)	(6.5% decreasing to 5.0%)	(7.5% decreasing to 6.0%)
\$ 3,096,709	\$ 3,488,238	\$ 3,950,266

G. Contributions

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2017, the City contributed \$166,520 to the plan for current premiums.

H. OPEB Expense

For the fiscal year ended June 30, 2017, the City recognized OPEB expense of \$360,305. There were no deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2017.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Classification of Fund Balance and Other Fund Disclosures

In governmental funds, fund balances are classified as follows:

	Major Funds					Non-Major	Total
	General	Transportation Development	Measure J	Measure L	Development Impact Fees		
<i>Nonspendable</i>							
Prepaid items	\$ 137,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,586
Advances to other funds	127,869	-	-	-	-	-	127,869
Inventory	16,030	-	-	-	-	-	16,030
Total	<u>281,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,485</u>
<i>Restricted</i>							
Transportation	-	184,356	-	2,232,230	-	-	2,416,586
Police services	-	-	305,277	-	-	-	305,277
Gas Tax	-	-	-	-	-	152,498	152,498
Development Impact	-	-	-	-	1,757,957	-	1,757,957
Grants	-	-	-	-	-	459,396	459,396
BAD, CFD, & LLMD	-	-	-	-	-	195,082	195,082
Park Development	-	-	-	-	-	112,826	112,826
Total	<u>-</u>	<u>184,356</u>	<u>305,277</u>	<u>2,232,230</u>	<u>1,757,957</u>	<u>919,802</u>	<u>5,399,622</u>
<i>Committed</i>							
Capital projects	-	-	-	-	-	18,128	18,128
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,128</u>	<u>18,128</u>
<i>Unassigned</i>							
	1,599,780	-	-	-	-	(24,216)	1,575,564
Total fund balances	<u>\$ 1,881,265</u>	<u>\$ 184,356</u>	<u>\$ 305,277</u>	<u>\$ 2,232,230</u>	<u>\$ 1,757,957</u>	<u>\$ 913,714</u>	<u>\$ 7,274,799</u>

Encumbrances

The City utilizes encumbrance accounting as a means of controlling expenditures. Under this method, funds are encumbered when purchase orders, contracts and other commitments are signed or approved by authorized City officials. Such outstanding commitments at year-end do not constitute expenditures or liabilities.

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either nonspendable, committed, restricted or assigned and are included in the respective functional categories. These encumbrances are not separately classified in the financial statements, and are summarized at June 30, 2018 as follows:

Fund	Amount
Transportation Development	\$ 9,781,473
Business Typ Activities	
Water	245,054
Sewer	1,309,439
Total encumbrances	<u>\$ 11,335,966</u>

Capital Commitments

The City is undertaking a number of capital improvement projects. However, there are no capital project commitments at June 30, 2018.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Classification of Fund Balance and Other Fund Disclosures (Continued)

Fund Equity Deficits

The City's governmental activities had an unrestricted net position (deficit) of \$(11,010,350) as of June 30, 2018. This is mainly due to reporting of net pension liability of \$(14,615,475) as required under GASB Statement No. 68 (Note 7).

The Parking District Special Revenue Fund, which is a non-major fund, has an accumulated deficit of \$(24,216) at June 30, 2018. This amount will be offset with charges for services increases in future years.

Expenditures in Excess of Appropriations

The following funds report expenditures in excess of appropriations for the year ended June 30, 2018.

Fund	Function	Excess
General Fund	General government	\$ (217,688)
General Fund	Highways and streets	\$ (32,652)
General Fund	Community development	\$ (14,324)
Parking District Fund	General government	\$ (1,315)
Grants Fund	General government	\$ (21)
Grants Fund	Public safety	\$ (53,128)
BAD, CFD, & LLMD Fund	Parks and recreation	\$ (11,829)

Note 10 – Risk Management

The City is a member of joint powers authorities for general liability, property, and workers compensation insurance programs as described below. The purpose of the authorities is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member city has a representative on the Board of Directors. Officers of the authorities are elected annually by the Board of Directors.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Risk Management (Continued)

The following provides a reconciliation of claims payable, which are recorded as an Internal Service Fund, for the three years ended June 30, 2016, 2017, and 2018:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments For Current and Prior Years	End of Year Liability
2015-2016	\$ 278,303	\$ 311,330	\$ (340,740)	\$ 248,893
2016-2017	248,893	354,767	(256,566)	347,094
2017-2018	347,094	504,731	(513,009)	338,816

Northern California Cities Self Insurance Fund

Northern California Cities Self Insurance Fund (Authority) is a joint powers authority created by certain Northern California cities to provide claims processing administrative services, risk management service and actuarial studies for the Authority as a whole. The Workers Compensation Program comprises a banking layer for claims up to \$100,000 and a Shared Risk Pool for claims from \$100,000 to \$500,000. Excess commercial insurance coverage is provided for claims over the shared risk layers. The Authority is governed by a Board of Directors comprised of officials appointed by each member. The activities of the Authority include setting and collecting premiums, administering and paying claims and related expenses and investing the Authority's excess funds.

Shared Risk Pool - Each member is assessed a contribution which is intended to cover its share of the Authority's claims, operating costs and claim settlement expenses. Contributions are based on an actuarially determined rate for each coverage layer (pool), based on an estimate of the probable losses and expenses to be borne by that pool for the claim year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study. Losses are allocated on the basis of each participant's share of cash contributions. All contributions are recognized as revenues when earned, based on the period covered by the contribution.

Banking Layer - The banking layer is the members' deductible portion of each claim. As part of its services to members, a portion of their contributions is used to pay their deductibles. If a member's balance is insufficient, the Authority advances the necessary amount and bills the member in the following year. Excess balances may likewise be used to offset subsequent year contributions. The following is a summary of financial information of the Authority as of and for the year ended June 30, 2018:

Total Assets (Primary Investments)	\$ 57,315,358
Deferred Outflow of Resources	\$ -
Total Liability	\$ 41,696,368
Deferred Inflows of Resources	\$ -
Net Position	\$ 15,618,990
Total Revenues	\$ 19,517,999
Total Expenses	\$ 19,895,088
Net Income (Loss)	\$ (377,089)

Public Agency Risk Sharing Authority of California

Public Agency Risk Sharing Authority of California (PARSAC) is a joint powers authority created by certain California Cities and special districts to provide claims processing administrative services, risk management services and actuarial studies for PARSAC as a whole.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Risk Management (Continued)

Public Agency Risk Sharing Authority of California (Continued)

The General Liability program, a shared risk pool, total coverage of \$35 million. The first one million dollar layer, in excess of the City's \$50,000 retention, per occurrence is covered by PARSAC. The second layer of four million dollars is insured by the California State Association of Counties (CSAC-EIA). The third layer of five million dollars is covered by Great American Insurance. The fourth layer of five million dollars is covered by Evanston Insurance Company/Lloyd's Syndicates. The fifth layer of ten million dollars is covered by Argonaut Insurance Company/Evanston Insurance Company. The sixth layer of ten million dollars is covered by Brit Global & Great American. The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience.

The following is a summary of audited financial information of PARSAC as of and for the year ended June 30, 2018:

Total Assets (Primary Investments)	\$ 48,758,639
Deferred Outflow of Resources	\$ 905,649
Total Liability	\$ 23,819,048
Deferred Inflows of Resources	\$ 236,232
Net Position	\$ 25,609,008
Total Revenues	\$ 15,458,747
Total Expenses	\$ 14,114,537
Net Income (Loss)	\$ 1,344,210

Note 11 – City Agreements with Certain Other Governmental Units

El Dorado County Fire Protection District

The City entered into an agreement with the El Dorado County Fire Protection District (District) under which the District will provide fire protection and emergency medical services for the City. These services had been previously provided by the City Fire Department in the early 1990s.

The District is governed by its own Board of Directors and is not governed by the local government agencies that are serviced by it. All City Fire Department personnel, vehicles and equipment have been transferred to the District.

Effective with Fiscal Year 1993/1994 and all future years, the City's obligation for fire protection and emergency medical services shall be satisfied by District's receipt of the City's property tax revenue, even if such amount is reduced by future shifts to the State of California.

For the year ended June 30, 2018, City property tax revenue assigned to the District amounted to approximately \$1,701,848.

El Dorado County Transit Authority

El Dorado County Transit Authority was formed in November, 1993, as a joint powers authority to own, operate, and/or maintain a public transit system.

El Dorado County Transportation Commission

El Dorado County Transportation Commission is a joint powers agency formed, in April 1995, for the purpose of engaging in regional transportation planning and the allocation of funds for transportation purposes.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Contingencies

A. Legal Actions

There are various claims and legal actions pending against the City for which no provision has been made in the accompanying general purpose financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not have an adverse material effect on the financial position of the City. The City is self-insured and participates in public entity risk pools (See Note 10).

B. Federal Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

C. Proposition 62

On September 28, 1995, the California Supreme Court reversed a Court of Appeals decision which reinstated provisions of Proposition 62 which was a 1986 voter initiative that required all general taxes to be approved by simple majority vote of the electorate. The Supreme Court provided very little detail on a number of important issues surrounding their decision, including, the effective date of the decision, whether the decision would be retroactive, and whether existing taxes would have to be put to a vote for them to remain valid. The decision will have minimal impact on the City's existing general tax structure.

D. Proposition 218

On November 5, 1996, Proposition 218 was approved by the voters. Proposition 218 is a constitutional amendment which addresses both taxes and assessments imposed, extended or increased without voter approval on or after January 1, 1995. Its effect on existing assessments is minimal. The constitutional amendment requires special districts and local governments, like the City of Placerville, to issue notices to affected ratepayers whenever property related charges and/or rates, such as sewer and water user rates, are proposed by the governing body. The said notices must be distributed to affected ratepayers at least forty-five days prior to adoption. If the City Council receives written protests that exceed 50% of the affected ratepayers, the proposed changes in charges and/or rates is negated.

Note 13 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds

Placerville Public Financing Authority (Authority) is a legal joint powers entity created by the City. The Authority's Board of Directors is comprised of the City's Council Members, City Manager and Assistant City Manager/Finance Director, and all accounting and administrative functions are performed by the City. Neither the City nor the Authority have any obligation to advance its own funds toward payments to bondholders, other than the City's obligation to make payments on its sewer revenue bonds and an installment purchase agreement and to pay over assessment payments received from property owners as discussed below and the Authority's obligation to make payments from funds received from the City. Payments with respect to assessments secured by liens against real property benefiting from the issuance of bonds, plus any amounts held by the Trustee, are the sole security for payment to bondholders, other than payments on the City's sewer revenue bonds and an installment purchase agreement. In the event of delinquency in payment of assessment or supplemental assessments, the City is responsible for foreclosure and auction proceedings on assessed property.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds (Continued)

Limited Obligation Assessment Bonds and Revenue Bonds

In 1992, the City issued Limited Obligation Assessment bonds for its Assessment Districts 92-1 and 92-2, and then subsequently issued Limited Obligation Supplemental Assessment Bonds for Assessment District 92-1. In 1994, the City issued Limited Obligation Assessment Bonds for its Assessment Districts 94-1 and 94-2, and City Sewer Revenue Bonds. For the purpose of this discussion, the term “Limited Obligation Assessment Bonds” refers to all Assessment Bonds including the Supplemental issue.

The Authority issued its Revenue Bonds of 1992, Series A (Series A Bonds) and its Revenue Bonds of 1992, Series C (Series C Bonds) to purchase the City’s 1992 Limited Obligation Assessment Bonds and Supplemental Limited Obligation Assessment Bonds. The Authority issued its Revenue Bonds of 1994 (Series 1994 Bonds) to purchase the City’s 1994 Limited Obligation Assessment Bonds and Sewer Revenue Bonds.

The City issued Limited Obligation Assessment Bonds on behalf of improvement districts created to benefit property owners for a specific purpose, such as to finance local street, water and sewer improvements. Property owners in the designated districts were assessed amounts sufficient to cover the principal and interest costs of repaying the bonds. Annually, assessment installments are levied and placed on the County of El Dorado Property Tax Rolls. The Authority applied proceeds of the sale of its Series A and Series C Revenue Bonds to the purchase of the City’s Assessment Bonds, which were then pledged as security for its Revenue Bonds. The City also issued Sewer Revenue Bonds for improvements related to its wastewater treatment plant, and to refund earlier bonds issued to finance such improvements. The Authority also applied proceeds of the sale of its Series 1994 Revenue Bonds to the purchase. The City has not defaulted on payment of the Sewer Revenue Bonds.

The following table summarizes the City’s Limited Obligation Assessment bonds, Limited Obligation Supplemental Assessment bonds, revenue obligations payable from revenues of the City’s Wastewater System as issued:

Bond Issue – Date	Aggregate Amount Issued	Authority Revenue Bonds Issued
AD 1992-1, March 1992	\$5,247,500	Series A - \$7,700,000
AD 1992-2, March 1992	\$1,533,202	
AD 1992-1, June 1992	\$2,785,000	Series C - \$3,185,000
AD 1994-1, June 1994 ¹	\$2,660,000	Series 1994 - \$13,070,000 ¹
AD 1994-2, June 1994 ¹	\$4,855,000	
Sewer Revenue Bonds ¹	\$4,255,000	
Installment Purchase Agreement ²	\$17,215,000	Series 2006 - \$17,215,000 ²

¹ Paid in full.

² Issued in 2006. Not in default.

The City is responsible for collecting the assessments levied against the property within the improvement districts and for disbursing these amounts to the Trustee, Union Bank, N.A., who further disburses the funds to ultimately retire the Authority’s Revenue Bonds.

Defaults

In March, 1998, the Authority defaulted on the regularly scheduled interest payment due on its Revenue Bonds of 1992, Series C (Series C Bonds). The Authority’s default was the result of the City of Placerville’s default on Limited Obligation Supplemental Assessment Bonds issued and secured by supplemental assessment liens on real property within the City’s Assessment District 92-1 (AD 92-1). The City’s default was the result of the nonpayment of supplemental assessments by owners of property within AD 92-1.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Placerville Public Financing Authority Has Defaulted on Certain Revenue Bonds (Continued)

Defaults (Continued)

In September, 2003, the Authority defaulted on the regularly scheduled interest payment due on its Series A Bonds. The Authority's default was the result of the City of Placerville's defaults over several years on Limited Obligation Assessment Bonds issued and secured by assessment liens on real property within the City's Assessment District 92-1 (AD 92-1) and assessment liens on real property within the City's Assessment District 92-2 (AD 92-2). The City's defaults were the result of the nonpayment of assessments by owners of property within AD 92-1 and AD 92-2.

Series 1994 Revenue bond technical defaults, or drawdowns of reserve funds, also occurred as a result of nonpayment of assessments by owners of property within the City's Assessment District 94-1. Due to property owners' continued nonpayment of assessments and supplemental assessments, the City defaulted on the required cash flows for the payment of the City's Limited Obligation Original and Supplemental Assessment Bonds. When property owners fail to pay their assessments, the Assessment Bonds are not being paid and therefore there are no, or insufficient, cash flows to pay the Authority's Revenue Bonds (other than funds held by the Trustee). As necessary, the Revenue Bond Reserve Fund is drawn down to pay the bondholders until the Fund is depleted.

The Revenue Bond Reserve Funds were drawn down to pay the Series A and Series C Bonds. The Reserve Funds for the Series A and Series C bonds have been completely depleted. These Revenue Bonds and the assessment bonds sharing them are in default. After the reserve funds were depleted, scheduled principal and interest payments for the Authority's Series A and C Bonds were not paid.

Since the default on the Series A Bonds and the Series C Bonds, the City has collected some delinquent assessments and some delinquent supplemental assessments resulting from the sale of certain properties within the districts, including some sold at County tax sales. The amounts collected have been disbursed to the Trustee for further disbursement to the bondholders or are held by the City for payment to the Trustee.

While the City does not have an obligation to advance its own funds to pay the defaulted Limited Obligation Assessment Bonds, the City does have administrative responsibilities such as judicial foreclosure and sale by auction of delinquent properties. The City has obtained a judgment of foreclosure on all properties subject to default.

Although the AD 92-1 AD 92-2 bonds matured in 2012, delinquent assessments and supplemental assessments remain resulting in continued default of past principal and interest payments. The City and Authority are exploring work out options for the remaining parcels with delinquent assessments.

In a different scenario from the Series A Bonds and the Series C Bonds, through a procedure connected with a foreclosure sale, a credit bid by the City and a corresponding sale to a new developer, the AD 94-1 Bonds were paid in full. The foreclosure payments, as well as remaining funds in the Construction Fund, were transmitted to the Trustee for a partial redemption of the Series 1994 Bonds.

In addition, the owners of the parcels in the City's Assessment District 94-2 (AD 94-2) prepaid their assessments. The payments were transmitted to the Trustee for a partial redemption of Series 1994.

The remaining Series 1994 Revenue Bonds of the Authority, and City's 1994 Sewer Revenue Bonds, have been paid in full in connection with the Authority's issuance of its \$17,215,000 Revenue Bonds (Wastewater System Refinancing and Improvement Project), Series 2006, payable from installment payments by the City's Wastewater System pursuant to an installment purchase agreement.

City of Placerville
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 14 – Prior Period Adjustments

As a result of implementing GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, a prior period restatement was necessary for all funds. The prior period restatement was comprised of three components. The first component was to convert the OPEB liability to the Net OPEB Liability as of the beginning date of the measurement period. The next component was to adjust for the beginning balance that should have existed in deferred outflows applicable to contributions after the beginning measurement date. These deferred outflows were the contributions actuarially determined Fiscal Year 2016/2017 which was the measurement period for GASB 75. The final component was to allocate the balance across the Governmental Activities and Proprietary Funds. The net result was a restatement in the Governmental Activities of \$(1,253,401) and the Business-Type Activities of \$(875,052).

The City restated beginning net position as following:

	Governmental Activities	Proprietary Funds			Business-Type Activities	Total
		Water Fund	Sewer Fund	Measure H Fund		
Beginning Net Position, as previously reported	\$ 39,938,030	\$ 7,831,893	\$ 8,180,405	\$ 1,133,795	\$ 17,146,093	\$ 57,084,123
Prior period adjustments:						
Eliminate net OPEB obligation due to the implementation of GASB 75	1,262,449	-	-	-	-	1,262,449
Report total OPEB liability due to the implementation of GASB 75	(2,515,850)	(231,318)	(643,734)	-	(875,052)	(3,390,902)
Beginning Net Position, as restated	<u>\$ 38,684,629</u>	<u>\$ 7,600,575</u>	<u>\$ 7,536,671</u>	<u>\$ 1,133,795</u>	<u>\$ 16,271,041</u>	<u>\$ 54,955,670</u>

**REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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City of Placerville
Required Supplementary Information (Unaudited)
Budget Comparison Schedules – General Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 241,816	\$ 261,685	\$ 290,224	\$ 28,539
Sales tax	4,867,323	4,874,659	4,796,155	(78,504)
Transient occupancy taxes	-	212,066	218,501	6,435
Other taxes	396,014	208,463	216,027	7,564
Franchise fees	305,007	315,881	329,248	13,367
Licenses and permits	125,000	113,364	138,726	25,362
Fines and forfeitures	60,000	56,114	48,273	(7,841)
Use of money and property	70,062	72,516	174,129	101,613
Intergovernmental	876,104	925,265	934,900	9,635
Charges for services	823,008	816,170	827,677	11,507
Other revenues	873,527	829,468	552,038	(277,430)
Total Revenues	<u>8,637,861</u>	<u>8,685,651</u>	<u>8,525,898</u>	<u>(159,753)</u>
EXPENDITURES:				
Current:				
General government	2,731,180	2,319,665	2,537,353	(217,688)
Public safety	2,917,255	2,926,477	2,806,334	120,143
Highways and streets	644,431	635,900	668,552	(32,652)
Community development	550,924	604,354	618,678	(14,324)
Parks and recreation	2,020,837	2,376,524	1,930,922	445,602
Total Expenditures	<u>8,864,627</u>	<u>8,862,920</u>	<u>8,561,839</u>	<u>301,081</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(226,766)</u>	<u>(177,269)</u>	<u>(35,941)</u>	<u>141,328</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	361,898	300,183	300,183	-
Transfers out	(201,117)	(303,206)	(540,203)	(236,997)
Total Other Financing Sources (Uses)	<u>160,781</u>	<u>(3,023)</u>	<u>(240,020)</u>	<u>(236,997)</u>
Change in Fund Balance	<u>\$ (65,985)</u>	<u>\$ (180,292)</u>	<u>(275,961)</u>	<u>\$ (95,669)</u>
Fund Balance:				
Beginning of year			<u>2,157,226</u>	
End of year			<u>\$ 1,881,265</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Transportation Development Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Intergovernmental	\$ 1,100,000	\$ 3,200,000	\$ 3,215,697	\$ 15,697
Total Revenues	<u>1,100,000</u>	<u>3,200,000</u>	<u>3,215,697</u>	<u>15,697</u>
EXPENDITURES:				
Current:				
Highways and streets	1,100,000	3,430,000	3,271,596	158,404
Total Expenditures	<u>1,100,000</u>	<u>3,430,000</u>	<u>3,271,596</u>	<u>158,404</u>
REVENUES OVER (UNDER EXPENDITURES)	<u>-</u>	<u>(230,000)</u>	<u>(55,899)</u>	<u>174,101</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	230,000	230,318	318
Total Other Financing Sources (Uses)	<u>-</u>	<u>230,000</u>	<u>230,318</u>	<u>318</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	174,419	<u>\$ 174,419</u>
Fund Balance:				
Beginning of year			<u>9,937</u>	
End of year			<u>\$ 184,356</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Measure J Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Sales tax	\$ 1,060,260	\$ 1,072,269	\$ 1,019,165	\$ (53,104)
Use of money and property	700	700	478	(222)
Total Revenues	<u>1,060,960</u>	<u>1,072,969</u>	<u>1,019,643</u>	<u>(53,326)</u>
EXPENDITURES:				
Current:				
General government	10,603	10,723	10,469	254
Public safety	1,135,807	1,181,478	1,108,317	73,161
Total Expenditures	<u>1,146,410</u>	<u>1,192,201</u>	<u>1,118,786</u>	<u>73,415</u>
REVENUES OVER (UNDER EXPENDITURES)	<u>(85,450)</u>	<u>(119,232)</u>	<u>(99,143)</u>	<u>20,089</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	<u>\$ (85,450)</u>	<u>\$ (119,232)</u>	<u>(99,143)</u>	<u>\$ 20,089</u>
Fund Balance:				
Beginning of year			<u>404,420</u>	
End of year			<u>\$ 305,277</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Measure L Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Sales tax	\$ 2,120,521	\$ 2,102,367	\$ 2,043,141	\$ (59,226)
Use of money and property	500	500	3,541	3,041
Total Revenues	2,121,021	2,102,867	2,046,682	(56,185)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
REVENUES OVER (UNDER EXPENDITURES)	2,121,021	2,102,867	2,046,682	(56,185)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,121,021)	(230,000)	(230,622)	(622)
Total Other Financing Sources (Uses)	(2,121,021)	(230,000)	(230,622)	(622)
Change in Fund Balance	\$ -	\$ 1,872,867	1,816,060	\$ (56,807)
Fund Balance:				
Beginning of year			416,170	
End of year			\$ 2,232,230	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Development Impact Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4,367	\$ 4,367
Other revenues	-	-	48	48
Charges for services	-	400,000	413,489	13,489
Grant revenues	-	185,000	184,493	(507)
Total Revenues	-	585,000	602,397	17,397
EXPENDITURES:				
Current:				
Highways and streets	-	340,000	335,046	4,954
Total Expenditures	-	340,000	335,046	4,954
REVENUES OVER (UNDER) EXPENDITURES	-	245,000	267,351	22,351
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Change in Fund Balance	\$ -	\$ 245,000	267,351	\$ 22,351
Fund Balance:				
Beginning of year			1,490,606	
End of year			\$ 1,757,957	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2018

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

1. The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted by the City Council in June of each year for all funds. The resolution sets a combined appropriation of the funds for the operation of the City.
2. The City Manager is authorized to transfer budgeted amounts between departments and line items to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds and transfers between funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds.
4. Budgets for the governmental fund types are adopted and recorded on the modified basis of accounting on a basis consistent with generally accepted accounting principles (GAAP). Budget appropriations lapse at the end of the fiscal year. Supplemental appropriations were adopted by the City Council and have been included in the statements of revenues, expenditures, and changes in fund balance – budget to actual. Budgets are also prepared for proprietary fund types, which include debt service principal payments, capital outlay, but do not include depreciation.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2017, proceeds of taxes did not exceed allowable appropriations.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General and all Major Special Revenue funds present comparisons of the legally-adopted budget with actual data on a basis consistent with generally accepted accounting principles.

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Miscellaneous Plan

Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.1161823%	0.1180300%	0.1279368%	0.1167000%
Plan's proportionate share of the net pension liability	\$ 11,522,089	\$ 10,213,253	\$ 8,781,468	\$ 7,270,669
Plan's covered-employee payroll	\$ 3,469,101	\$ 3,368,059	\$ 3,269,960	\$ 3,174,719
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	332.13%	303.24%	268.55%	229.02%
Plan's fiduciary net position	\$ 20,599,097	\$ 18,384,211	\$ 18,751,097	\$ 20,035,468
Plan's fiduciary net position as a percentage of the total pension liability	64.13%	64.29%	68.11%	73.37%
Plan's proportionate share of aggregate employer contributions	\$ 821,706	\$ 758,296	\$ 563,533	\$ 588,875

Notes to Schedule:

Changes in assumptions In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Safety Plan

Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.069635%	0.070494%	0.073132%	0.071310%
Plan's proportionate share of the net pension liability	\$ 6,905,882	\$ 6,099,938	\$ 5,019,871	\$ 4,440,588
Plan's covered-employee payroll	\$ 1,256,534	\$ 1,219,936	\$ 1,184,404	\$ 1,149,907
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	549.60%	500.02%	423.83%	386.17%
Plan's fiduciary net position	\$ 14,268,522	\$ 12,997,857	\$ 13,914,172	\$ 13,946,181
Plan's fiduciary net position as a percentage of the total pension liability	67.39%	68.06%	73.49%	75.85%
Plan's proportionate share of aggregate employer contributions	\$ 488,725	\$ 457,324	\$ 332,478	\$ 319,107

Notes to Schedule:

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
For the Year Ended June 30, 2018

Miscellaneous Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 892,071	\$ 821,706	\$ 758,296	\$ 563,533	\$ 588,875
Contributions in relation to the actuarially determined contributions ²	(892,071)	(821,706)	(758,296)	(563,533)	(588,875)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 3,573,174	\$ 3,469,101	\$ 3,368,059	\$ 3,269,960	\$ 3,174,719
Contributions as a percentage of covered-employee payroll	24.97%	23.69%	22.51%	17.23%	18.55%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
For the Year Ended June 30, 2018

Safety Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 568,532	\$ 488,725	\$ 457,324	\$ 332,478	\$ 319,107
Contributions in relation to the actuarially determined contribution	(568,532)	(488,725)	(457,324)	(332,478)	(319,107)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 1,294,230	\$ 1,256,534	\$ 1,219,936	\$ 1,184,404	\$ 1,149,907
Contributions as a percentage of covered-employee payroll ³	43.93%	38.89%	37.49%	28.07%	27.75%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

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Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
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City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years
For the Year Ended June 30, 2018

Measurement period, year ending:	<u>6/30/2018 ¹</u>
Total OPEB liability	
Service cost	\$ 288,351
Interest	104,326
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(178,820)
Benefit payments, including refunds of member contributions	<u>(116,520)</u>
Net change in total OPEB liability	97,337
Total OPEB liability - beginning	<u>3,390,901</u>
Total OPEB liability - ending (a)	<u>\$ 3,488,238</u>
OPEB fiduciary net position	
Contributions - employer	\$ 166,220
Net investment income	-
Benefit payments, including refunds of member contributions	(166,220)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 3,488,238</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 6,361,144
Plan net OPEB liability as a percentage of covered payroll	54.84%

¹ Ten year historical information is not yet available.

**SUPPLEMENTARY
INFORMATION**

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NON-MAJOR GOVERNMENTAL FUNDS

City of Placerville
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Gas Tax	Parking District	Grants	BAD, CFD, & LLMD
ASSETS				
Cash and investments	\$ 129,517	\$ 223,391	\$ 149,974	\$ 199,356
Receivables:				
Accounts	22,770	33,723	264,678	1,570
Interest	211	30	141	151
Loans	-	-	837,080	-
Grants	-	-	66,006	-
Due from other funds	-	8	-	-
Total assets	\$ 152,498	\$ 257,152	\$ 1,317,879	\$ 201,077
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 8,293	\$ -	\$ 5,995
Deposits payable	-	2,259	-	-
Due to other funds	-	-	10,546	-
Advances from other funds	-	270,816	-	-
Total liabilities	-	281,368	10,546	5,995
Deferred inflows of resources:				
Unavailable revenues	-	-	847,937	-
Total deferred inflows of resources	-	-	847,937	-
Fund Balances:				
Restricted	152,498	-	459,396	195,082
Committed	-	-	-	-
Unassigned (deficit)	-	(24,216)	-	-
Total fund balances	152,498	(24,216)	459,396	195,082
Total liabilities, deferred inflows of resources and fund balances	\$ 152,498	\$ 257,152	\$ 1,317,879	\$ 201,077

City of Placerville
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds		Total Other Governmental Funds
	Capital Projects	Park Development	
ASSETS			
Cash and investments	\$ 109,108	\$ 57,139	\$ 868,485
Receivables:			
Accounts	-	-	322,741
Interest	-	44	577
Loans	-	-	837,080
Grants	-	60,905	126,911
	-	-	8
Total assets	\$ 109,108	\$ 118,088	\$ 2,155,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 90,980	\$ 1,270	\$ 106,538
Deposits payable	-	-	2,259
Due to other funds	-	-	10,546
Advances from other funds	-	-	270,816
Total liabilities	90,980	1,270	390,159
Deferred inflows of resources:			
Unavailable revenues	-	3,992	851,929
Total deferred inflows of resources	-	3,992	851,929
Fund Balances:			
Restricted	-	112,826	919,802
Committed	18,128	-	18,128
Unassigned (deficit)	-	-	(24,216)
Total fund balances	18,128	112,826	913,714
Total liabilities, deferred inflows of resources and fund balances	\$ 109,108	\$ 118,088	\$ 2,155,802

(Concluded)

City of Placerville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds			
	Gas Tax	Parking District	Grants	BAD, CFD, & LLMD
REVENUES:				
Fines and forfeitures	\$ -	\$ 104,989	\$ -	\$ -
Use of money and property	729	8,074	13,409	573
Intergovernmental	314,365	-	192,237	-
Charges for services	-	231,769	-	67,771
Grant revenues	-	-	154,852	-
Total revenues	<u>315,094</u>	<u>344,832</u>	<u>360,498</u>	<u>68,344</u>
EXPENDITURES:				
Current:				
General government	-	43,521	21	-
Public safety	-	-	276,896	-
Highways and streets	715	153,449	-	12,404
Parks and recreation	-	-	-	48,499
Total expenditures	<u>715</u>	<u>196,970</u>	<u>276,917</u>	<u>60,903</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>314,379</u>	<u>147,862</u>	<u>83,581</u>	<u>7,441</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	8,656	-	-
Transfers out	(225,183)	(9,839)	-	-
Total other financing sources (uses)	<u>(225,183)</u>	<u>(1,183)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	89,196	146,679	83,581	7,441
FUND BALANCE:				
Beginning of year	63,302	(170,895)	375,815	187,641
End of year	<u>\$ 152,498</u>	<u>\$ (24,216)</u>	<u>\$ 459,396</u>	<u>\$ 195,082</u>

City of Placerville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds		Total Other Governmental Funds
	Capital Projects	Park Development	
REVENUES:			
Fines and forfeitures	\$ -	\$ -	\$ 104,989
Use of money and property	9	177	22,971
Intergovernmental	-	13,112	519,714
Charges for services	-	33,916	333,456
Grant revenues	-	-	154,852
Total revenues	<u>9</u>	<u>47,205</u>	<u>1,135,982</u>
EXPENDITURES:			
Current:			
General government	230,773	-	274,315
Public safety	-	-	276,896
Highways and streets	-	-	166,568
Parks and recreation	39,616	33,411	121,526
Total expenditures	<u>270,389</u>	<u>33,411</u>	<u>839,305</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(270,380)</u>	<u>13,794</u>	<u>296,677</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	287,034	-	295,690
Transfers out	-	-	(235,022)
Total other financing sources (uses)	<u>287,034</u>	<u>-</u>	<u>60,668</u>
CHANGES IN FUND BALANCES	16,654	13,794	357,345
FUND BALANCES:			
Beginning of year	1,474	99,032	556,369
End of year	<u>\$ 18,128</u>	<u>\$ 112,826</u>	<u>\$ 913,714</u>

(Continued)

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-Gas Tax Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ 400	\$ 400	\$ 729	\$ 329
Intergovernmental	304,738	319,902	314,365	(5,537)
Total Revenues	<u>305,138</u>	<u>320,302</u>	<u>315,094</u>	<u>(5,208)</u>
EXPENDITURES:				
Current:				
Highways and streets	30,000	30,000	715	29,285
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>715</u>	<u>29,285</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>275,138</u>	<u>290,302</u>	<u>314,379</u>	<u>24,077</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(286,898)	(286,898)	(225,183)	61,715
Total Other Financing Sources (Uses)	<u>(286,898)</u>	<u>(286,898)</u>	<u>(225,183)</u>	<u>61,715</u>
Change in Fund Balance	<u>\$ (11,760)</u>	<u>\$ 3,404</u>	<u>89,196</u>	<u>\$ 85,792</u>
Fund Balance:				
Beginning of year			<u>63,302</u>	
End of year			<u>\$ 152,498</u>	

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-Parking District Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Fines and forfeitures	\$ 30,813	\$ 56,368	\$ 104,989	\$ 48,621
Use of money and property	-	400	8,074	7,674
Charges for services	248,323	228,258	231,769	3,511
Total Revenues	<u>279,136</u>	<u>285,026</u>	<u>344,832</u>	<u>59,806</u>
EXPENDITURES:				
Current:				
General government	42,106	42,206	43,521	(1,315)
Highways and streets	173,944	168,972	153,449	15,523
Total Expenditures	<u>216,050</u>	<u>211,178</u>	<u>196,970</u>	<u>14,208</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>63,086</u>	<u>73,848</u>	<u>147,862</u>	<u>74,014</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8,656	8,656	8,656	-
Transfers out	(9,839)	(9,839)	(9,839)	-
Total Other Financing Sources (Uses)	<u>(1,183)</u>	<u>(1,183)</u>	<u>(1,183)</u>	<u>-</u>
Change in Fund Balance	<u>\$ 61,903</u>	<u>\$ 72,665</u>	<u>146,679</u>	<u>\$ 74,014</u>
Fund Balance:				
Beginning of year			<u>(170,895)</u>	
End of year			<u>\$ (24,216)</u>	

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-Grants Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 13,409	\$ 13,409
Intergovernmental	193,883	197,977	192,237	(5,740)
Grant revenues	50,000	50,000	154,852	104,852
Total Revenues	<u>243,883</u>	<u>247,977</u>	<u>360,498</u>	<u>112,521</u>
EXPENDITURES:				
Current:				
General government	-	-	21	(21)
Public safety	237,669	223,768	276,896	(53,128)
Total Expenditures	<u>237,669</u>	<u>223,768</u>	<u>276,917</u>	<u>(53,149)</u>
Change in Fund Balance	<u>\$ 6,214</u>	<u>\$ 24,209</u>	<u>\$ 83,581</u>	<u>\$ 165,670</u>
Fund Balance:				
Beginning of year			<u>375,815</u>	
End of year			<u>\$ 459,396</u>	

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-BAD, CFD, & LLMD Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ 700	\$ 850	\$ 573	\$ (277)
Charges for services	69,139	68,989	67,771	(1,218)
Total Revenues	<u>69,839</u>	<u>69,839</u>	<u>68,344</u>	<u>(1,495)</u>
EXPENDITURES:				
Current:				
Highways and streets	34,820	28,788	12,404	16,384
Parks and recreation	35,019	36,670	48,499	(11,829)
Total Expenditures	<u>69,839</u>	<u>65,458</u>	<u>60,903</u>	<u>4,555</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>4,381</u>	<u>7,441</u>	<u>3,060</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,381</u>	<u>7,441</u>	<u>\$ 3,060</u>
Fund Balance:				
Beginning of year			<u>187,641</u>	
End of year			<u>\$ 195,082</u>	

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-Capital Projects Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 9	\$ 9
Total Revenues	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
EXPENDITURES:				
Current:				
General government	-	231,000	230,773	227
Parks and recreation	-	40,000	39,616	384
Total Expenditures	<u>-</u>	<u>271,000</u>	<u>270,389</u>	<u>611</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(271,000)</u>	<u>(270,380)</u>	<u>620</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	82,689	287,034	287,034	-
Total Other Financing Sources (Uses)	<u>82,689</u>	<u>287,034</u>	<u>287,034</u>	<u>-</u>
Change in Fund Balance	<u>\$ 82,689</u>	<u>\$ 16,034</u>	16,654	<u>\$ 620</u>
Fund Balance:				
Beginning of year			<u>1,474</u>	
End of year			<u>\$ 18,128</u>	

City of Placerville
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget Comparison Schedules-Park Development Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ 150	\$ 177	\$ 27
Charges for services	38,280	34,000	33,916	(84)
Intergovernmental	-	13,000	13,112	112
Total Revenues	<u>38,280</u>	<u>47,150</u>	<u>47,205</u>	<u>55</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	34,000	33,411	589
Total Expenditures	<u>-</u>	<u>34,000</u>	<u>33,411</u>	<u>589</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>38,280</u>	<u>13,150</u>	<u>13,794</u>	<u>644</u>
Change in Fund Balance	<u>\$ 38,280</u>	<u>\$ 13,150</u>	<u>13,794</u>	<u>\$ 644</u>
Fund Balance:				
Beginning of year			<u>99,032</u>	
End of year			<u>\$ 112,826</u>	

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

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Placerville, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

To the Honorable Mayor and Members of the City Council
of the City of Placerville
Placerville, California
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Purpose of this Report

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

The PwC Group, LLP

Walnut Creek, California
March 31, 2019