

City of Placerville

Placerville, California

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2017

Prepared By the
The Finance Department
of the City of Placerville

CITY OF PLACERVILLE
Basic Financial Statements
For the Year Ended June 30, 2017
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INDEPENDENT AUDITORS' REPORT

To the Honorable 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Net Pension Liability

As discussed in Note 9 to the basic financial statements, the City's governmental activities had an unrestricted net position (deficit) of \$(6,455,252) as of June 30, 2017. This is mainly due to reporting of net pension liability of \$(12,933,771) as required under GASB Statement No. 68 (Note 7). In addition, CalPERS approved a plan to lower the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent, over the next three years commencing with fiscal year ending June 30, 2017. This will increase the City's employer contribution costs and net pension liabilities beginning in fiscal year 2018-19. 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 Changes in Net Pension Liability and Related Ratios, Schedule of the City's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Funding Progress of the Other Postemployment Benefit Plan, on pages 5 to 11 and pages 91 to 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 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 104 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 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
March 30, 2018

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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, 2017. 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 \$57.1M, an increase of \$10.4M. 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 \$(6.46)M or -11.310%.
- The governmental net position increased by \$7.96M or 24.90% and the business-type net position increased by \$2.47M or 16.80%.
- Program revenues from governmental activities increased by \$3.69M or 53.63%. Program revenues from business-type activities decreased by \$2.56M or 38.74%. General revenues, net of transfers, increased \$.36M or 4.20%.

City Highlights

- Completed the construction phase for the Blairs Lane Bridge Widening, \$2.60M.
- Completed the construction phase for the Pardi Lane, Big Cut Road, Sacramento Street, and Chamberlain Street Water Line Replacement, \$2.40M.
- Continued the design phase of the Western Placerville Interchange, \$1.03M.
- Continued the design phase of the Clay Street Bridge and Intersection, \$0.16M
- Continued the design phase of the Broadway Bike Lanes, \$0.11M

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 ten governmental funds, of which three 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, and the Measure J 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 governmental-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, Transportation Development Fund, and the Measure J Fund.

Government-Wide Statements

Statement of Net Position:

The City's net position at the end of the year was \$57.10M, an increase of \$10.4M. The governmental net position increased by \$7.96M or 24.90% and the business-type net position increased by \$2.47M or 16.80%. The increase in governmental net position is primarily due to a \$3.67M or 5.60% increase in program revenues and a \$0.53M or 6.92% increase in general revenues and transfers. The City and its contractors completed \$6.82M in capital projects as of June 30, 2017. Please see the "Capital Assets" section below for more details.

Net Position

June 30, 2017

(amounts expressed in thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17
Current assets	\$ 3,450	\$ 2,813	\$ 4,435	\$ 6,006	\$ 7,885	\$ 8,819
Restricted Assets	4,524	8,091	2,637	1,692	7,161	9,783
Capital assets	40,639	44,057	66,279	67,014	106,918	111,071
Total assets	48,613	54,961	73,351	74,712	121,964	129,673
Total Deferred Outflows of Resources	1,461	3,177	536	895	1,997	4,072
Current liabilities	3,634	1,771	2,432	3,368	6,066	5,139
Noncurrent liabilities	13,600	15,947	56,568	54,992	70,168	70,939
Total liabilities	17,234	17,718	59,000	58,360	76,234	76,078
Total Deferred Inflows of Resources	864	482	208	101	1,072	583
Net position:						
Net investment in capital assets	39,780	43,345	11,009	13,568	50,789	56,913
Restricted	2,146	3,048	2,637	3,578	4,783	6,626
Unrestricted (deficit)	(9,950)	(6,455)	1,033	-	(8,917)	(6,455)
Total net position	\$ 31,976	\$ 39,938	\$ 14,679	\$ 17,146	\$ 46,655	\$ 57,084

Changes in Net Position

Program revenues from governmental activities increased \$3.69M or 53.63%. The increase is primarily due to a \$3.20M increase in capital grants and contributions. General revenues, net of transfers, increased \$0.53M or 6.92%. This net increase is primarily due to a \$0.65M or 11.90% increase in local sales tax revenues. Program revenues from business-type activities increased by \$2.56M or 38.74% which was primarily due to \$1.72M in state water conservation grants and wastewater connection fee revenues. Business-type revenues exceeded expenditures by \$2.47M primarily due to \$1.71 increase in grant revenues. Water Enterprise Fund revenues exceeded expenditures by \$2.48M which was primarily due to a \$1.72M in state water conservation grants and \$0.45 transfer from the Measure H Fund for capital improvement projects. Sewer Enterprise Fund expenditures exceeded revenues by \$0.97M which was primarily due to a \$1.90M depreciation, which is a non-cash expense.

Condensed Statement of Activities and Changes in Net Position
For the year ended June 30, 2017
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Position							
	Expenses		Program Revenues		Government Activities		Business-type Activities	
	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17
<i>Governmental activities</i>								
General government	\$ 2,692	\$ 2,679	\$ 696	\$ 576	\$ (1,996)	\$ (2,103)		
Public safety	4,428	4,069	815	3,872	(3,613)	(197)		
Highways and streets	1,790	1,420	4,185	4,953	2,395	3,533		
Community development	604	586	394	297	(210)	(289)		
Parks and recreation	1,965	2,019	787	868	(1,178)	(1,151)		
Total governmental activities	<u>11,479</u>	<u>10,773</u>	<u>6,877</u>	<u>10,566</u>	<u>(4,602)</u>	<u>(207)</u>		
<i>Business-type activities</i>								
Water	1,655	1,660	1,612	3,756			(43)	2,096
Sewer	5,845	5,865	4,987	5,399			(858)	(466)
Total business-type activities	<u>7,500</u>	<u>7,525</u>	<u>6,599</u>	<u>9,155</u>			<u>(901)</u>	<u>1,630</u>
Total primary government	<u>\$ 18,979</u>	<u>\$ 18,298</u>	<u>\$ 13,476</u>	<u>\$ 19,721</u>				
					7,641	8,169	1,002	837
					3,039	7,962	101	2,467
					Net Position:			
					28,937	31,976	14,578	14,679
					<u>\$ 31,976</u>	<u>\$ 39,938</u>	<u>\$ 14,679</u>	<u>\$ 17,146</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 employer pension contribution rates for new members hired on or after January 1, 2013, classic members hired between October 15, 2011 and December 31, 2012, and classic members hired before October 15, 2011, respectively:

Fiscal Year	Percentage of Credible Salary		Increased/ (Decreased) Cost
	Miscellaneous Plan	Public Safety	
2015/2016	6.50%/8.479%/9.53% + \$464,531	11.15%/15.63%/17.56% + \$240,980	\$ 264,833
2016/2017	6.647% + \$33/8.721%/9.837% + \$514,682	12.082%/16.656%/18.428% + \$275,621	141,823
2017/2018	6.525% + \$113/8.762% + \$290/9.878% + \$582,016	11.990% + \$220/16.842% + \$216/18.615% + \$323,642	143,161

The \$143,161 increase in employer paid retirement contributions for Fiscal Year 2017/2018 is primarily due to increases in payroll and changes in CalPERS' actuarial assumptions. As of June 30, 2017, the City's aggregate net pension liability was \$16.31M which reflects a \$2.51M or 18.20% increase which is primarily due to changes in CalPERS' actuarial assumptions. 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 2016/2017, the City's governmental funds reported a combined ending fund balance of \$5.04M – an increase of \$1.47M or 41.1%.

General Fund. Total fund balance for the General Fund on June 30, 2017 was \$2.16M, a decrease of \$737 from the prior year. Of the \$2.16M fund balance, \$1.63M is available for contingencies. The \$1.63M unassigned balance represents 19.48% 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 \$2.47M or 16.81% which was primarily due to \$1.71M increase in grant revenues and a \$0.23M increase in connection fees

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 \$1.03M in Fiscal Year 2016/2017. The Measure H Fund provided sewer ratepayers \$0.050M in discounts and \$0.45M in contributions towards sewer and water infrastructure improvements during the fiscal year.

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 \$0.47M during Fiscal Year 2016/2017. The City anticipates the Measure L sales tax will generate approximately \$2.00M annually.

Capital Assets and Debt Administration

Debt Administration

Long Term Debt - At the end of the current fiscal year, the City had \$54.16M in long term debt outstanding compared to \$56.13M last year, a \$1.97M or 3.50% net decrease. The decrease is primarily due to debt service payments made in Fiscal Year 2016/2017. 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 2016/2017 include:

Governmental Activities

- Construction in progress – Blairs Lane Bridge Widening, (\$2.60M)
- Construction in progress – Western Placerville Interchange, (\$1.03M)
- Construction in progress – Clay Street Bridge and Intersection, (\$0.16M)
- Construction in progress – Broadway Bike Lanes, (\$M)

Governmental Capital Assets

June 30, 2017

(amounts expressed in thousands)

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 12,831	\$ -	\$ -	\$ -	\$ 12,831
Construction in progress	11,706	4,064	-	(1,928)	13,842
Total nondepreciable assets	<u>24,537</u>	<u>4,064</u>	<u>-</u>	<u>(1,928)</u>	<u>26,673</u>
<i>Depreciable Assets:</i>					
Buildings and structures	12,138	-	-	66	12,204
Machinery and equipment	3,046	44	(169)	17	2,938
Infrastructure	10,113	-	-	1,845	11,958
Total depreciable assets	<u>25,297</u>	<u>44</u>	<u>(169)</u>	<u>1,928</u>	<u>27,100</u>
	49,834	4,108	(169)	-	53,773
Less accumulated depreciation	<u>(9,195)</u>	<u>(679)</u>	<u>158</u>	<u>-</u>	<u>(9,716)</u>
Total governmental activities	<u><u>\$ 40,639</u></u>	<u><u>\$ 3,429</u></u>	<u><u>\$ (11)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,057</u></u>

Business Type Activities

- Construction in progress – Pardi Lane, Big Cut Road, Sacramento Street, and Chamberlain Waterline Replacement, (\$2.40M)
- Construction in progress – Energy and Water Efficiency Step 2, (\$0.13M)

Business-Type Capital Assets

June 30, 2017

(amounts expressed in thousands)

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,329	\$ -	\$ -	\$ -	\$ 2,329
Construction in progress	2,680	2,755	-	(467)	4,968
Total nondepreciable assets	<u>5,009</u>	<u>2,755</u>	<u>-</u>	<u>(467)</u>	<u>7,297</u>
<i>Depreciable Assets:</i>					
Buildings and structures	73,862	-	-	-	73,862
Machinery and equipment	1,230	88	-	-	1,318
Infrastructure	48,113	-	-	467	48,580
Total depreciable assets	<u>123,205</u>	<u>88</u>	<u>-</u>	<u>467</u>	<u>123,760</u>
Less accumulated depreciation	<u>(61,935)</u>	<u>(2,107)</u>	<u>-</u>	<u>-</u>	<u>(64,042)</u>
Total depreciable assets, net	<u>61,270</u>	<u>(2,019)</u>	<u>-</u>	<u>467</u>	<u>59,718</u>
Total business-type activities	<u><u>\$ 66,279</u></u>	<u><u>\$ 736</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,015</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 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, 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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 1,299,834	\$ 1,995,060	\$ 3,294,894
Receivables:			
Accounts	1,492,508	1,930,378	3,422,886
Interest	816	2,564	3,380
Utility billings, net	-	1,943,919	1,943,919
Inventory	17,663	-	17,663
Prepaid items	136,221	-	136,221
Internal balances	(134,274)	134,274	-
Total current assets	<u>2,812,768</u>	<u>6,006,195</u>	<u>8,818,963</u>
Restricted:			
Cash and investments	1,054,883	-	1,054,883
Deposits held by fiscal agents	-	1,691,717	1,691,717
Receivables:			
Accounts	5,662,906	-	5,662,906
Interest	1,170	-	1,170
Grants	871,232	-	871,232
Loans	501,137	-	501,137
Total restricted assets	<u>8,091,328</u>	<u>1,691,717</u>	<u>9,783,045</u>
Capital assets:			
Nondepreciable	26,673,204	7,297,116	33,970,320
Depreciable, net	17,383,553	59,717,949	77,101,502
Total capital assets, net	<u>44,056,757</u>	<u>67,015,065</u>	<u>111,071,822</u>
Total Assets	<u>54,960,853</u>	<u>74,712,977</u>	<u>129,673,830</u>
Deferred Outflows of Resources			
Pension related deferred outflow of resources	<u>3,177,160</u>	<u>894,953</u>	<u>4,072,113</u>
Total Deferred Outflows of Resources	<u>3,177,160</u>	<u>894,953</u>	<u>4,072,113</u>

CITY OF PLACERVILLE
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	824,158	1,221,597	2,045,755
Payroll and related taxes payable	403,989	-	403,989
Deposits	22,060	35,310	57,370
Interest payable	10,027	276,892	286,919
Current portion of compensated absences	354,858	-	354,858
Current portion of long-term debt	155,807	1,834,447	1,990,254
Total current liabilities	<u>1,770,899</u>	<u>3,368,246</u>	<u>5,139,145</u>
Long-term liabilities:			
Compensated absences	847,637	-	847,637
Claims payable	347,094	-	347,094
Long-term debt, net	556,065	51,612,751	52,168,816
Net OPEB obligation (Note 8)	1,262,449	-	1,262,449
Aggregate net pension liability (Note 7)	12,933,771	3,379,420	16,313,191
Total long-term liabilities	<u>15,947,016</u>	<u>54,992,171</u>	<u>70,939,187</u>
Total Liabilities	<u>17,717,915</u>	<u>58,360,417</u>	<u>76,078,332</u>
Deferred Inflows of Resources			
Pension related deferred inflow of resources	482,068	101,420	583,488
Total Deferred Inflows of Resources	<u>482,068</u>	<u>101,420</u>	<u>583,488</u>
Net Position:			
Net investment in capital assets	43,344,885	13,567,867	56,912,752
Restricted:			
Capital projects	1,474	1,691,717	1,693,191
Special projects and programs	3,046,923	1,886,509	4,933,432
Total restricted	<u>3,048,397</u>	<u>3,578,226</u>	<u>6,626,623</u>
Unrestricted (Deficit)	<u>(6,455,252)</u>	<u>-</u>	<u>(6,455,252)</u>
Total Net Position	<u>\$ 39,938,030</u>	<u>\$ 17,146,093</u>	<u>\$ 57,084,123</u>

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,678,989	\$ 575,975	\$ -	\$ -	\$ 575,975
Public safety	4,068,819	151,786	3,670,230	50,072	3,872,088
Highways and streets	1,420,598	1,052,293	228,474	3,672,120	4,952,887
Community development	586,040	293,441	3,900	-	297,341
Parks and recreation	2,018,725	866,768	679	-	867,447
Total governmental activities	10,773,171	2,940,263	3,903,283	3,722,192	10,565,738
Business-type activities:					
Water	1,659,720	2,031,563	-	1,724,073	3,755,636
Sewer	5,864,984	5,399,151	-	-	5,399,151
Total business-type activities	7,524,704	7,430,714	-	1,724,073	9,154,787
Total primary government	\$ 18,297,875	\$ 10,370,977	\$ 3,903,283	\$ 5,446,265	\$ 19,720,525

CITY OF PLACERVILLE
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,103,014)	\$ -	\$ (2,103,014)
Public safety	(196,731)	-	(196,731)
Highways and streets	3,532,289	-	3,532,289
Community development	(288,699)	-	(288,699)
Parks and recreation	(1,151,278)	-	(1,151,278)
Total governmental activities	(207,433)	-	(207,433)
Business-type activities:			
Water	-	2,095,916	2,095,916
Sewer	-	(465,833)	(465,833)
Total business-type activities	-	1,630,083	1,630,083
Total primary government	(207,433)	1,630,083	1,422,650
General revenues and transfers:			
Taxes:			
Property	249,114	-	249,114
Sales	6,110,735	1,027,268	7,138,003
Motor vehicle	848,147	-	848,147
Other	743,310	-	743,310
Total taxes	7,951,306	1,027,268	8,978,574
Interest and investment earnings	922	14,422	15,344
Miscellaneous	-	12,382	12,382
Transfers	217,355	(217,355)	-
Total general revenues and transfers	8,169,583	836,717	9,006,300
Changes in net position	7,962,150	2,466,800	10,428,950
Net Position:			
Beginning of year	31,975,880	14,679,293	46,655,173
End of year	<u>\$ 39,938,030</u>	<u>\$ 17,146,093</u>	<u>\$ 57,084,123</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, 2017**

	Major Funds			
	General	Transportation	Measure J	Measure L
	Fund	Development Fund	Fund	Fund
ASSETS				
Cash and investments	\$ 853,050	\$ -	\$ -	\$ -
Receivables:				
Accounts	1,193,807	-	-	-
Interest	816	-	-	-
Prepays	136,221	-	-	-
Inventories	17,663	-	-	-
Due from other funds	221,002	-	-	-
Advances to other funds	377,869	-	-	-
Restricted:				
Cash and investments	-	96,374	204,674	76,953
Receivables:				
Accounts	-	2,922,555	200,123	345,880
Interest	-	-	618	24
Grants	-	-	-	-
Loans	-	-	-	-
Total assets	\$ 2,800,428	\$ 3,018,929	\$ 405,415	\$ 422,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 219,412	\$ 201,851	\$ 995	\$ 6,687
Payroll and related liabilities	403,989	-	-	-
Due to other funds	-	157,936	-	-
Deposits payable	19,801	-	-	-
Advances from other funds	-	750,000	-	-
Total liabilities	643,202	1,109,787	995	6,687
Deferred inflows of resources:				
Unavailable revenues	-	1,899,205	-	-
Total deferred inflows of resources	-	1,899,205	-	-
Fund Balances:				
Nonspendable	531,753	-	-	-
Restricted	-	-	404,420	416,170
Committed	-	-	-	-
Unassigned (deficit)	1,625,473	9,937	-	-
Total fund balances	2,157,226	9,937	404,420	416,170
Total liabilities, deferred inflows of resources and fund balances	\$ 2,800,428	\$ 3,018,929	\$ 405,415	\$ 422,857

City of Placerville
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	<u>Major Funds</u>		Total Governmental Funds
	Development Impact Fund	Other Governmental Funds	
ASSETS			
Cash and investments	\$ -	\$ -	\$ 853,050
Receivables:			
Accounts	-	-	1,193,807
Interest	-	-	816
Prepays	-	-	136,221
Inventories	-	-	17,663
Due from other funds	32,600	-	253,602
Advances to other funds	-	-	377,869
Restricted:			
Cash and investments	20,592	656,290	1,054,883
Receivables:			
Accounts	2,167,143	27,205	5,662,906
Interest	-	528	1,170
Grants	-	871,232	871,232
Loans	-	501,137	501,137
Total assets	\$ 2,220,335	\$ 2,056,392	\$ 10,924,356
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 170,602	\$ 105,393	\$ 704,940
Payroll and related liabilities	-	-	403,989
Due to other funds	79,982	10,546	248,464
Deposits payable	-	2,259	22,060
Advances from other funds	-	320,816	1,070,816
Total liabilities	250,584	439,014	2,450,269
Deferred inflows of resources:			
Unavailable revenues	479,145	1,061,009	3,439,359
Total deferred inflows of resources	479,145	1,061,009	3,439,359
Fund Balances:			
Nonspendable	-	-	531,753
Restricted	1,490,606	725,790	3,036,986
Committed	-	1,474	1,474
Unassigned (deficit)	-	(170,895)	1,464,515
Total fund balances	1,490,606	556,369	5,034,728
Total liabilities, deferred inflows of resources and fund balances	\$ 2,220,335	\$ 2,056,392	\$ 10,924,356

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City of Placerville
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	<u>\$ 5,034,728</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	26,673,204
Depreciable	<u>17,383,553</u>
Total capital assets adjustment	<u>44,056,757</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>(10,027)</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	(354,858)
Compensated absences - due in more than one year	(847,637)
Claims payable - due in more than one year	(347,094)
Long-term debt - due within one year	(155,807)
Long-term debt - due in more than one year	(556,065)
Net OPEB obligation	<u>(1,262,449)</u>
Total reported in Government-Wide Statement of Net Position	<u>(3,523,910)</u>
Less: Amount reported in Internal Service Funds	
Claims payable - due in more than one year	<u>347,094</u>
Total reported in Internal Service Funds	<u>347,094</u>
Net long-term liabilities	<u>(3,176,816)</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.	
	1,038,541
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(12,933,771)
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements	
	2,138,619
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements	
	(482,068)
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	3,439,359
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>832,708</u>
Net Position of Governmental Activities	<u><u>\$ 39,938,030</u></u>

City of Placerville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			
	General Fund	Transportation Development Fund	Measure J Fund	Measure L Fund
REVENUES:				
Property taxes	\$ 249,114	\$ -	\$ -	\$ -
Sales tax	4,614,719	-	1,028,353	467,663
Transient occupancy taxes	209,652	-	-	-
Other taxes	217,600	-	-	-
Franchise fees	310,681	-	-	-
Licenses and permits	204,018	-	-	-
Fines and forfeitures	107,115	-	-	-
Use of money and property	224,207	-	1,351	24
Intergovernmental	853,524	1,340,477	-	-
Charges for services	774,161	-	-	-
Grant revenues	-	-	-	-
Other revenues	577,000	-	-	-
Total revenues	<u>8,341,791</u>	<u>1,340,477</u>	<u>1,029,704</u>	<u>467,687</u>
EXPENDITURES:				
Current:				
General government	2,464,039	-	10,213	6,687
Public safety	2,814,689	-	985,337	-
Highways and streets	687,931	1,459,138	-	-
Community development	602,391	-	-	-
Parks and recreation	1,826,772	-	-	-
Total expenditures	<u>8,395,822</u>	<u>1,459,138</u>	<u>995,550</u>	<u>6,687</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(54,031)</u>	<u>(118,661)</u>	<u>34,154</u>	<u>461,000</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	321,063	77,274	-	-
Transfers out	(267,769)	-	-	(44,830)
Total other financing sources (uses)	<u>53,294</u>	<u>77,274</u>	<u>-</u>	<u>(44,830)</u>
CHANGES IN FUND BALANCES	(737)	(41,387)	34,154	416,170
FUND BALANCES:				
Beginning of year	2,157,963	51,324	370,266	-
End of year	<u>\$ 2,157,226</u>	<u>\$ 9,937</u>	<u>\$ 404,420</u>	<u>\$ 416,170</u>

City of Placerville
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Funds</u>		
	Development	Other	Total
	Impact	Governmental	Governmental
	Fund	Funds	Funds
REVENUES:			
Property taxes	\$ -	\$ -	\$ 249,114
Sales tax	-	-	6,110,735
Transient occupancy taxes	-	-	209,652
Other taxes	-	-	217,600
Franchise fees	-	-	310,681
Licenses and permits	-	-	204,018
Fines and forfeitures	-	8,360	115,475
Use of money and property	-	2,001	227,583
Intergovernmental	-	457,081	2,651,082
Charges for services	859,379	346,518	1,980,058
Grant revenues	2,327,648	54,332	2,381,980
Other revenues	-	-	577,000
Total revenues	<u>3,187,027</u>	<u>868,292</u>	<u>15,234,978</u>
EXPENDITURES:			
Current:			
General government	-	29,960	2,510,899
Public safety	-	227,749	4,027,775
Highways and streets	2,359,194	237,753	4,744,016
Community development	-	-	602,391
Parks and recreation	-	89,509	1,916,281
Total expenditures	<u>2,359,194</u>	<u>584,971</u>	<u>13,801,362</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>827,833</u>	<u>283,321</u>	<u>1,433,616</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	48,000	183,183	629,520
Transfers out	-	(281,647)	(594,246)
Total other financing sources (uses)	<u>48,000</u>	<u>(98,464)</u>	<u>35,274</u>
CHANGES IN FUND BALANCES	875,833	184,857	1,468,890
FUND BALANCES:			
Beginning of year	614,773	371,512	3,565,838
End of year	<u>\$ 1,490,606</u>	<u>\$ 556,369</u>	<u>\$ 5,034,728</u>

(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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	1,468,890
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.		4,107,424
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.		(678,572)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.		(11,000)
The General Fund assuming the debt related to the 2017 City Hall Capital Lease did not require current financial resources of the governmental funds but was recorded as an increase in long-term debt on the Government-Wide Statement of Activities.		(390,113)
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		537,301
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		(30,363)
Changes in net OPEB obligation		(189,328)
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).		(2,254,244)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.		2,097,873
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.		3,439,359
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.		(135,077)
Change in Net Position of Governmental Activities	\$	<u><u>7,962,150</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Placerville
Statement of Net Position
Proprietary Funds
June 30, 2017

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 78,759	\$ 865,096	\$ 1,051,205	\$ 1,995,060	\$ 446,784
Receivables:					
Accounts	1,737,407	7,446	185,525	1,930,378	298,701
Interest	-	1,162	1,402	2,564	-
Utility billings, net	526,155	1,417,764	-	1,943,919	-
Due from other funds	76,838	290,137	-	366,975	95,764
Advances to other funds	-	-	-	-	692,947
Total current assets	<u>2,419,159</u>	<u>2,581,605</u>	<u>1,238,132</u>	<u>6,238,896</u>	<u>1,534,196</u>
Noncurrent assets:					
Restricted assets:					
Cash with fiscal agents	6,246	1,685,471	-	1,691,717	-
Capital assets:					
Non-depreciable assets	4,646,446	2,650,670	-	7,297,116	-
Depreciable assets, net of accumulated depreciation	2,849,805	56,868,144	-	59,717,949	-
Total capital assets, net	<u>7,496,251</u>	<u>59,518,814</u>	<u>-</u>	<u>67,015,065</u>	<u>-</u>
Total noncurrent assets	<u>7,502,497</u>	<u>61,204,285</u>	<u>-</u>	<u>68,706,782</u>	<u>-</u>
Total assets	<u>9,921,656</u>	<u>63,785,890</u>	<u>1,238,132</u>	<u>74,945,678</u>	<u>1,534,196</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	228,157	666,796	-	894,953	-
Total deferred outflows of resources	<u>228,157</u>	<u>666,796</u>	<u>-</u>	<u>894,953</u>	<u>-</u>

City of Placerville
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
LIABILITIES					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,078,369	143,228	-	1,221,597	119,218
Deposits payable	32,971	2,339	-	35,310	-
Interest payable	1,815	275,077	-	276,892	-
Due to other funds	128,364	-	104,337	232,701	235,176
Long term debt - due within one year	13,514	1,820,933	-	1,834,447	-
Total current liabilities	1,255,033	2,241,577	104,337	3,600,947	354,394
Noncurrent liabilities:					
Claims payable - due in more than one year	-	-	-	-	347,094
Long term debt - due in more than one year	175,487	51,437,264	-	51,612,751	-
Aggregate net pension liability	861,544	2,517,876	-	3,379,420	-
Total noncurrent liabilities	1,037,031	53,955,140	-	54,992,171	347,094
Total liabilities	2,292,064	56,196,717	104,337	58,593,118	701,488
DEFERRED INFLOWS OF RESOURCES					
Pension-related deferred inflows of resources	25,856	75,564	-	101,420	-
Total deferred inflows of resources	25,856	75,564	-	101,420	-
Net Position (Deficit):					
Net investment in capital assets	7,307,250	6,260,617	-	13,567,867	-
Restricted	6,246	1,685,471	-	1,691,717	-
Unrestricted (deficit)	518,397	234,317	1,133,795	1,886,509	832,708
Total net position (deficit)	\$ 7,831,893	\$ 8,180,405	\$ 1,133,795	\$ 17,146,093	\$ 832,708

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City of Placerville
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Major Funds			Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Measure H Fund		
OPERATING REVENUES:					
Charges for services	\$ 1,788,516	\$ 5,028,351	\$ -	\$ 6,816,867	\$ 281,616
Sales tax	-	-	1,027,268	1,027,268	-
Other operating revenues	2,959	9,423	-	12,382	364,255
Total operating revenues	1,791,475	5,037,774	1,027,268	7,856,517	645,871
OPERATING EXPENSES:					
General and administrative	190,590	217,887	-	408,477	963,029
Maintenance and operations	1,249,252	2,894,799	-	4,144,051	-
Depreciation	212,186	1,895,098	-	2,107,284	-
Total operating expenses	1,652,028	5,007,784	-	6,659,812	963,029
OPERATING INCOME (LOSS)	139,447	29,990	1,027,268	1,196,705	(317,158)
NONOPERATING REVENUES (EXPENSES):					
Grants	1,724,073	-	-	1,724,073	-
Connection fees	243,047	370,800	-	613,847	-
Interest income	1,427	8,678	4,317	14,422	-
Interest expense and fiscal charges	(7,692)	(857,200)	-	(864,892)	-
Total nonoperating revenues (expenses)	1,960,855	(477,722)	4,317	1,487,450	-
INCOME (LOSS) BEFORE TRANSFERS	2,100,302	(447,732)	1,031,585	2,684,155	(317,158)
TRANSFERS:					
Transfers in	490,299	624,576	-	1,114,875	539,227
Transfers out	(107,093)	(273,578)	(951,559)	(1,332,230)	(357,146)
Total contributions and transfers	383,206	350,998	(951,559)	(217,355)	182,081
CHANGES IN NET POSITION	2,483,508	(96,734)	80,026	2,466,800	(135,077)
NET POSITION:					
Beginning of year	5,348,385	8,277,139	1,053,769	14,679,293	967,785
End of year	\$ 7,831,893	\$ 8,180,405	\$ 1,133,795	\$ 17,146,093	\$ 832,708

City of Placerville
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Major Funds			Total	Governmental
	Water Fund	Sewer Fund	Measure H Fund		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ (8,274)	\$ 4,921,453	\$ -	\$ 4,913,179	\$ (60,652)
Cash received from sales taxes	-	-	1,020,972	1,020,972	-
Cash payments to suppliers and employees for goods and services	(534,046)	(3,168,523)	1,502	(3,701,067)	(567,740)
Cash received from (paid for) other activities	2,959	9,423	-	12,382	364,255
Net cash provided by (used in) operating activities	(539,361)	1,762,353	1,022,474	2,245,466	(264,137)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(2,576,994)	(266,160)	-	(2,843,154)	-
Principal paid on capital-related debt	(36,253)	(1,786,807)	-	(1,823,060)	-
Interest paid on capital-related debt	(8,445)	(859,753)	-	(868,198)	-
Capital grant proceeds	1,724,073	-	-	1,724,073	-
Connection fees	243,047	370,800	-	613,847	-
Net cash (used in) capital and related financing activities	(654,572)	(2,541,920)	-	(3,196,492)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances (to)/from other funds	-	-	-	-	(157,702)
Transfers in	490,299	624,576	-	1,114,875	539,227
Transfers (out)	(107,093)	(273,578)	(951,559)	(1,332,230)	(357,146)
Net cash provided by (used in) noncapital financing activities	383,206	350,998	(951,559)	(217,355)	24,379
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	2,347	7,913	3,639	13,899	-
Net cash provided by investing activities	2,347	7,913	3,639	13,899	-
Net change in cash and cash equivalents	(808,380)	(420,656)	74,554	(1,154,482)	(239,758)
CASH AND CASH EQUIVALENTS:					
Beginning of year	893,385	2,971,223	976,651	4,841,259	686,542
End of year	<u>\$ 85,005</u>	<u>\$ 2,550,567</u>	<u>\$ 1,051,205</u>	<u>\$ 3,686,777</u>	<u>\$ 446,784</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$ 78,759	\$ 865,096	\$ 1,051,205	\$ 1,995,060	\$ 446,784
Restricted cash and cash equivalents	6,246	1,685,471	-	1,691,717	-
Total cash and cash equivalents	<u>\$ 85,005</u>	<u>\$ 2,550,567</u>	<u>\$ 1,051,205</u>	<u>\$ 3,686,777</u>	<u>\$ 446,784</u>

City of Placerville
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	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)	\$ 139,447	\$ 29,990	\$ 1,027,268	\$ 1,196,705	\$ (317,158)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	212,186	1,895,098	-	2,107,284	-
Changes in operating assets and liabilities:					
Accounts receivable	(1,714,968)	-	(6,296)	(1,721,264)	(246,504)
Utility billings, net	(25,938)	59,453	-	33,515	-
Due from other funds	(55,884)	(166,351)	-	(222,235)	(95,764)
Pension-related deferred outflows	(79,209)	(279,803)	-	(359,012)	-
Accounts payable and accrued liabilities	896,732	35,102	-	931,834	61,912
Deposits payable	(2,050)	(117)	-	(2,167)	-
Due to other funds	128,364	-	1,502	129,866	235,176
Claims and judgments payable	-	-	-	-	98,201
Aggregate net pension liability	(6,065)	263,673	-	257,608	-
Pension-related deferred inflows	(31,976)	(74,692)	-	(106,668)	-
Total adjustments	(678,808)	1,732,363	(4,794)	1,048,761	53,021
Net cash provided by (used in) operating activities	\$ (539,361)	\$ 1,762,353	\$ 1,022,474	\$ 2,245,466	\$ (264,137)

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Placerville
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Public Financing Authority Agency Fund	Other Agency Funds	Total
ASSETS			
Cash and investments	\$ 118,647	\$ 57,018	\$ 175,665
Receivables:			
Accounts	112	217,991	218,103
Total assets	\$ 118,759	\$ 275,009	\$ 393,768
LIABILITIES			
Accounts payable	\$ -	\$ 125,786	\$ 125,786
Deposits payable	27,906	149,223	177,129
Due to bondholders	90,853	-	90,853
	\$ 118,759	\$ 275,009	\$ 393,768

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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, 2017

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CITY OF PLACERVILLE
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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 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, 2017

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, 2017

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 0.25% 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* 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, 2017

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, 2017

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, 2017

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:

	<u>Years</u>
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

Interest accrued during capital assets construction, if any, is capitalized for the business-type and enterprise funds as part of the asset cost. For fiscal year ended June 30, 2017, there was no capitalized interest.

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, 2015
Measurement Date	June 30, 2016
Measurement Period:	July 1, 2015 to June 30, 2016

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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. 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.

M. 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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Net Position and Fund Equity (Continued)

Fund Financial Statements (Continued)

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.

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.

N. 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.

O. Accounting Changes

Implementation of New GASB Pronouncements for the Year Ended June 30, 2017

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, 2017. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Accounting Changes (Continued)

Implementation of New GASB Pronouncements for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 80

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. 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. 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. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

GASB Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Accounting Changes (Continued)

Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

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. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

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). Application of this statement is effective for the City's fiscal year ending June 30, 2018.

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

O. 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. 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]). Application of this statement is effective for the City's fiscal year ending June 30, 2018.

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. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017:

	<u>Primary Government</u>			<u>Fiduciary</u>	<u>Total</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>		
	<u>Activities</u>	<u>Activities</u>		<u>Funds</u>	
Cash and investments	\$ 1,299,834	\$ 1,995,060	\$ 3,294,894	\$ 175,665	\$ 3,470,559
Restricted cash and investments	1,054,883	-	1,054,883	-	1,054,883
Cash and investments with fiscal agent	-	1,691,717	1,691,717	-	1,691,717
Total	<u>\$ 2,354,717</u>	<u>\$ 3,686,777</u>	<u>\$ 6,041,494</u>	<u>\$ 175,665</u>	<u>\$ 6,217,159</u>

Cash, cash equivalents, and investments, consisted of the following at June 30, 2017:

Cash and cash equivalents:	
Petty cash	\$ 3,355
Demand deposits	3,142,524
Investments:	
Local Agency Investment Fund	1,379,563
Money market funds	<u>1,691,717</u>
Total	<u>\$ 6,217,159</u>

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, 2017, the carrying amount of the City's deposits was \$3,142,524. Bank balances before reconciling items were \$3,277,679 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.

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

C. Investments

At June 30, 2017, 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, 2017:

<u>Investment Type</u>	<u>Total as of June 30, 2016</u>	<u>Percentage of Investments</u>	<u>Measurement Inputs</u>
Local Agency Investment Fund	\$ 1,379,563	44.92%	N/A
Money market funds	<u>1,691,717</u>	55.08%	Not Rated
Total	<u><u>\$ 3,071,280</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

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	\$ (1,463)
Interest income	<u>16,807</u>
Total investment income	<u><u>\$ 15,344</u></u>

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

C. Investments (Continued)

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 \$1,691,717 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, 2017, the City's pooled cash and investments had the following maturities:

	<u>Amount</u>	<u>Maturities</u> <u>1 year or less</u>
Cash and cash equivalent:		
Petty cash	\$ 3,355	\$ 3,355
Demand deposits	3,142,524	3,142,524
Investments:		
Local Agency Investment Fund	1,379,563	1,379,563
Money market funds	1,691,717	1,691,717
Total	<u>\$ 6,217,159</u>	<u>\$ 6,217,159</u>

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.

	<u>Amount</u>	<u>Credit Quality Ratings</u>	
		<u>Moody's</u>	<u>Standard & Poor's</u>
Investments:			
Local Agency Investment Fund	\$ 1,379,563	Not Rated	Not Rated
Money market funds	1,691,717	Not Rated	Not Rated
Total	<u>\$ 3,071,280</u>		

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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, 2017, amounted to an unrealized loss of \$1,463.

F. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2017, 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, 2017, the City had \$1,379,563 invested in LAIF, which had invested 2.89% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998940671 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, 2017

Note 3 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2017, the City had the following short-term interfund receivables and payables:

Due From	Due To						
	Governmental Activities				Business-Type Activities		Total
	Transportation Development	Development Impact	Non-Major	Internal Service	Water	Measure H	
Governmental Activities							
General	\$ 70,461	\$ 43,671	\$ 10,546	\$ 96,324	\$ -	\$ -	\$ 221,002
Transportation Development	-	-	-	-	-	-	-
Development Impact Fund	-	-	-	-	32,600	-	32,600
Internal Service Fund	-	-	-	-	95,764	-	95,764
Business-Type Activities							
Water	43,740	18,155	-	14,943	-	-	76,838
Sewer	43,735	18,156	-	123,909	-	104,337	290,137
Totals	<u>\$ 157,936</u>	<u>\$ 79,982</u>	<u>\$ 10,546</u>	<u>\$ 235,176</u>	<u>\$ 128,364</u>	<u>\$ 104,337</u>	<u>\$ 716,341</u>

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, 2017, 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	\$ 250,000	\$ 127,869	\$ 377,869
Internal Service	500,000	192,947	692,947
Totals	<u>\$ 750,000</u>	<u>\$ 320,816</u>	<u>\$ 1,070,816</u>

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, 2017

Note 3 – Interfund Transactions (Continued)

C. Transfers In and Out

At June 30, 2017, the City had the following transfers:

Transfers In								
Transfers Out	Governmental Activities					Business-Type Activities		Total
	Transportation Development			Internal		Water	Sewer	
	General	Development	Impact	Non-Major	Service Fund			
Governmental Activities								
General	\$ -	\$ -	\$ 48,000	\$ 61,213	\$ 158,556	\$ -	\$ -	\$ 267,769
Measure L	-	20,366	-	-	-	24,464	-	44,830
Non-Major	224,739	56,908	-	-	-	-	-	281,647
Internal Service Fund	96,324	-	-	121,970	-	14,943	123,909	357,146
Business-Type Activities								
Water	-	-	-	-	107,093	-	-	107,093
Sewer	-	-	-	-	273,578	-	-	273,578
Measure H	-	-	-	-	-	450,892	500,667	951,559
Totals	<u>\$ 321,063</u>	<u>\$ 77,274</u>	<u>\$ 48,000</u>	<u>\$ 183,183</u>	<u>\$ 539,227</u>	<u>\$ 490,299</u>	<u>\$ 624,576</u>	<u>\$ 2,283,622</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, 2017, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land and improvements	\$ 12,831,451	\$ 2,328,974	\$ 15,160,425
Construction in progress	13,841,753	4,968,142	18,809,895
Total non-depreciable assets	<u>26,673,204</u>	<u>7,297,116</u>	<u>33,970,320</u>
Depreciable Assets:			
Building and structures	12,204,090	73,861,671	86,065,761
Machinery and equipment	2,937,615	1,318,530	4,256,145
Infrastructure	11,957,402	48,580,421	60,537,823
	27,099,107	123,760,622	150,859,729
Less accumulated depreciation	<u>(9,715,554)</u>	<u>(64,042,673)</u>	<u>(73,758,227)</u>
Total depreciable assets, net	<u>17,383,553</u>	<u>59,717,949</u>	<u>77,101,502</u>
Total capital assets	<u>\$ 44,056,757</u>	<u>\$ 67,015,065</u>	<u>\$ 111,071,822</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Capital Assets (Continued)

A. Government-Wide Financial Statements (Continued)

In fiscal year ended June 30, 2017, 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, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Non-Depreciable Assets:					
Land and improvements	\$ 12,831,451	\$ -	\$ -	\$ -	\$ 12,831,451
Construction in progress	11,706,039	4,063,874	-	(1,928,160)	13,841,753
Total non-depreciable assets	<u>24,537,490</u>	<u>4,063,874</u>	<u>-</u>	<u>(1,928,160)</u>	<u>26,673,204</u>
Depreciable Assets:					
Building and structures	12,137,552	-	-	66,538	12,204,090
Machinery and equipment	3,046,413	43,550	(169,148)	16,800	2,937,615
Infrastructure	10,112,580	-	-	1,844,822	11,957,402
Total depreciable assets	25,296,545	43,550	(169,148)	1,928,160	27,099,107
Less accumulated depreciation	(9,195,130)	(678,572)	158,148	-	(9,715,554)
Total depreciable assets, net	<u>16,101,415</u>	<u>(635,022)</u>	<u>(11,000)</u>	<u>1,928,160</u>	<u>17,383,553</u>
Total capital assets	<u>\$ 40,638,905</u>	<u>\$ 3,428,852</u>	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>\$ 44,056,757</u>

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2017 was as follows:

General government	\$ 269,654
Public safety	60,625
Highways and street	303,936
Community Development	26,215
Parks and recreation	<u>18,142</u>
Total	<u>\$ 678,572</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Non-Depreciable Assets:					
Land and improvements	\$ 2,328,974	\$ -	\$ -	\$ -	\$ 2,328,974
Construction in progress	2,680,454	2,754,928	-	(467,240)	4,968,142
Total non-depreciable assets	5,009,428	2,754,928	-	(467,240)	7,297,116
Depreciable Assets:					
Building and structures	73,861,671	-	-	-	73,861,671
Machinery and equipment	1,230,304	88,226	-	-	1,318,530
Infrastructure	48,113,181	-	-	467,240	48,580,421
Total depreciable assets	123,205,156	88,226	-	467,240	123,760,622
Less accumulated depreciation	(61,935,389)	(2,107,284)	-	-	(64,042,673)
Total depreciable assets, net	61,269,767	(2,019,058)	-	467,240	59,717,949
Total capital assets	<u>\$ 66,279,195</u>	<u>\$ 735,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,015,065</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2017, were as follows:

Water	\$ 212,186
Sewer	<u>1,895,098</u>
Total	<u>\$ 2,107,284</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, 2017

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, 2017:

	Governmental Activities	Business-Type Activities	Total
Long-term debt, due within one year	\$ 155,807	\$ 1,834,447	\$ 1,990,254
Noncurrent portion of long-term debt			
2006 State Revolving Loan	-	33,821,483	33,821,483
2006 Sewer Revenue Bonds	-	17,215,000	17,215,000
1997 State Revolving Loan	-	213,716	213,716
2017 City Hall Capital Lease	283,419	169,472	452,891
2015 Equipment Lease	272,646	193,080	465,726
Total noncurrent portion of long-term debt	556,065	51,612,751	52,168,816
Total long-term debt	\$ 711,872	\$ 53,447,198	\$ 54,159,070

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year	Due in more than one year
2005 City Hall Capital Lease	\$ 489,606	\$ -	\$ 489,606	\$ -	\$ -	\$ -
2017 City Hall Capital Lease	-	390,113	-	390,113	106,694	283,419
2015 Equipment Lease	369,454	-	47,695	321,759	49,113	272,646
Total	\$ 859,060	\$ 390,113	\$ 537,301	\$ 711,872	\$ 155,807	\$ 556,065

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year	Due in more than one year
2006 State Revolving Loan	\$ 36,878,745	\$ -	\$ 1,528,631	\$ 35,350,114	\$ 1,528,631	\$ 33,821,483
2006 Sewer Revenue Bonds	17,215,000	-	-	17,215,000	-	17,215,000
1997 State Revolving Loan	625,441	-	203,221	422,220	208,504	213,716
2005 City Hall Capital Lease	291,932	-	291,932	-	-	-
2017 City Hall Capital Lease	-	233,270	-	233,270	63,798	169,472
2015 Equipment Lease	259,140	-	32,546	226,594	33,514	193,080
Total	\$ 55,270,258	\$ 233,270	\$ 2,056,330	\$ 53,447,198	\$ 1,834,447	\$ 51,612,751

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 2017, 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
2018	\$ 170,492	\$ 18,232	\$ 188,724
2019	177,441	11,284	188,725
2020	182,372	6,353	188,725
2021	93,078	1,284	94,362
Total	<u>\$ 623,383</u>	<u>\$ 37,153</u>	<u>\$ 660,536</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
2018	\$ 82,627	\$ 15,582	\$ 98,209
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
2023-2025	180,941	9,462	190,403
Total	<u>\$ 548,353</u>	<u>\$ 63,614</u>	<u>\$ 611,967</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:

	June 30, 2017
Building and structures	\$ 2,052,000
Machinery and equipment	706,518
Assets under capitalized lease, at cost	2,758,518
Accumulated depreciation	(825,336)
Assets under capitalized lease, net	<u>\$ 1,933,182</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, required 32.29% of net revenues. The total remaining principal and interest to be paid on the bonds is \$28,998,140. Interest paid for the current year and total net revenues were \$830,657 and \$2,572,330, 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
2018	\$ -	\$ 830,657	\$ 830,657
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
2023-2027	1,290,000	3,894,731	5,184,731
2028-2032	8,540,000	3,165,125	11,705,125
2033-2037	6,657,500	606,500	7,264,000
Total	<u>\$ 17,215,000</u>	<u>\$ 11,783,140</u>	<u>\$ 28,998,140</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, 2017, required 8.53% of net revenues. The total remaining principal and interest to be paid on the loan is \$438,754. Principal and interest paid for the current year and total net revenues were \$219,482 and \$2,572,330, 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
2018	\$ 208,504	\$ 10,978	\$ 219,482
2019	213,716	5,556	219,272
Total	<u>\$ 422,220</u>	<u>\$ 16,534</u>	<u>\$ 438,754</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, required 59.34% of net revenues. The total remaining principal to be paid on the loan is \$35,350,114. Principal paid for the current year and total net revenues were \$1,528,631 and \$2,572,330 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
2018	\$ 1,528,631	\$ -	\$ 1,528,631
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
2023-2027	7,643,156	-	7,643,156
2028-2032	7,643,156	-	7,643,156
2033-2037	7,643,156	-	7,643,156
2038-2040	4,777,491	-	4,777,491
Total	<u>\$ 35,350,114</u>	<u>\$ -</u>	<u>\$ 35,350,114</u>

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,990,254	\$ 875,449	\$ 2,865,703
2019	2,102,372	860,622	2,962,994
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
2023-2027	9,114,097	3,904,193	13,018,290
2028-2032	16,183,156	3,165,125	19,348,281
2033-2037	14,300,656	606,500	14,907,156
2038-2040	4,777,491	-	4,777,491
Total	<u>\$ 54,159,070</u>	<u>\$ 11,900,441</u>	<u>\$ 66,059,511</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.

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 \$1,202,495. The City typically uses the General Fund to liquidate compensated absences.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 549,816	\$ 271,890	\$ 821,706
CalPERS Safety	488,725	-	488,725
Total pension contribution made after measurement date	<u>1,038,541</u>	<u>271,890</u>	<u>1,310,431</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	883,764	437,034	1,320,798
CalPERS Safety	776,454	-	776,454
Total projected earnings on pension plan investments in excess of actual earnings	<u>1,660,218</u>	<u>437,034</u>	<u>2,097,252</u>
Adjustment due to difference in proportions			
CalPERS Miscellaneous	323,347	159,899	483,246
CalPERS Safety	96,222	-	96,222
Total adjustment due to difference in proportions	<u>419,569</u>	<u>159,899</u>	<u>579,468</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	13,835	6,842	20,677
CalPERS Safety	-	-	-
Total difference between expected and actual experience	<u>13,835</u>	<u>6,842</u>	<u>20,677</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	39,005	19,288	58,293
CalPERS Safety	5,992	-	5,992
Total employer contributions in excess of proportionate share of contribution	<u>44,997</u>	<u>19,288</u>	<u>64,285</u>
Total deferred outflows of resources	<u>3,177,160</u>	<u>894,953</u>	<u>4,072,113</u>
Net pension liabilities:			
CalPERS Miscellaneous	6,833,833	3,379,420	10,213,253
CalPERS Safety	6,099,938	-	6,099,938
Total net pension liabilities	<u>12,933,771</u>	<u>3,379,420</u>	<u>16,313,191</u>
Deferred inflows of Resources:			
Change in assumption			
CalPERS Miscellaneous	169,803	83,969	253,772
CalPERS Safety	158,042	-	158,042
Total change in assumption	<u>327,845</u>	<u>83,969</u>	<u>411,814</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	35,287	17,451	52,738
CalPERS Safety	82,688	-	82,688
Total employer contributions in excess of proportionate share of contribution	<u>117,975</u>	<u>17,451</u>	<u>135,426</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	36,248	-	36,248
Total difference between expected and actual experience	<u>36,248</u>	<u>-</u>	<u>36,248</u>
Total deferred inflows of resources	<u>\$ 482,068</u>	<u>\$ 101,420</u>	<u>\$ 583,488</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

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.

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.

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%.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Employees Covered

At June 30, 2016 measurement date, the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Plans	58	79	75
Safety Plans	19	34	48

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 contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, and 11.15% for the Safety PEPRA Plan, and 6.50%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 34.62% of annual payroll for the Miscellaneous Classic Plan, 58.00% for the Safety Classic Plan, 12.08% for the Safety PEPRA Plan, and 6.65% for the Miscellaneous PEPRA Plan..

For the year ended June 30, 2017, the plan’s employer contributions made for each Plan was as follows:

	Contributions - employer
Miscellaneous Plans	\$ 821,706
Safety Plans	488,725
Total	\$ 1,310,431

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, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Miscellaneous Plans:			
Balance at: 6/30/15 (Valuation date)	\$ 27,532,565	\$ 18,751,097	\$ 8,781,468
Balance at: 6/30/16(Measurement date)	28,597,463	18,384,210	10,213,253
Net Changes during 2015-2016	1,064,898	(366,887)	1,431,785
Safety Plans:			
Balance at: 6/30/15 (Valuation date)	\$ 18,386,769	\$ 13,946,181	\$ 4,440,588
Balance at: 6/30/16(Measurement date)	19,097,795	12,997,857	6,099,938
Net Changes during 2015-2016	711,026	(948,324)	1,659,350

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous Plans	Safety Plans	Total
Proportion June 30, 2015	0.32009%	0.12182%	0.44191%
Proportion June 30, 2016	0.29400%	0.11778%	0.41178%
Change - Increase (Decrease)	-0.02608%	-0.00405%	-0.03013%

For the year ended June 30, 2017, the City recognized pension expense in the amounts of \$777,503 and \$481,222, for the Miscellaneous plans and Safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. 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.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired).

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plans from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 821,706	\$ -
Difference between projected and actual earnings on pension plan investments	1,320,798	-
Adjustment due to differences in proportions	483,246	-
Changes in assumptions	-	(253,772)
Difference between actual and expected experience	20,677	-
Difference between Employer’s actual contributions and proportionate share of contributions	58,293	(52,738)
Total	<u>\$ 2,704,720</u>	<u>\$ (306,510)</u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Safety Plans from the following sources:

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 488,725	\$ -
Difference between projected and actual earnings on pension plan investments	776,454	-
Adjustment due to differences in proportions	96,222	-
Changes in assumptions	-	(158,042)
Difference between actual and expected experience	-	(36,248)
Difference between Employer's actual contributions and proportionate share of contributions	5,992	(82,688)
Total	\$ 1,367,393	\$ (276,978)

For the Miscellaneous plans and Safety plans, \$821,706 and \$488,725, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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
2018	\$ 329,712	\$ (8,152)
2019	288,536	31,588
2020	616,155	376,121
2021	342,102	202,134
2022	-	-
Thereafter	-	-
	\$ 1,576,505	\$ 601,691

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2065 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
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.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 ran out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% 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 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Discount Rate (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, staff 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.

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2017 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Private Equity	10.00%	0.99%	2.43%
Global Fixed Income	20.00%	0.45%	3.36%
Liquidity	1.00%	6.83%	6.95%
Real assets	12.00%	4.50%	5.13%
Inflation sensitive assets	6.00%	4.50%	5.09%
Other	0.00%	-0.55%	-1.05%
	100%		

¹An expected inflation of 2.5% used for this period

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

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

The following presents the City’s proportionate share of the net pension liability for each Plan type, 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 one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plans	\$ 14,063,362	\$ 10,213,253	\$ 7,031,328
Safety Plans	8,692,343	6,099,938	3,971,840
	\$ 22,755,705	\$ 16,313,191	\$ 11,003,168

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 \$18,000 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 Plan, which amounted to \$2,897,226 at June 30, 2017, have been removed from the basic financial statements of the City, with no impact on fund equity.

During fiscal year 2016/17, 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 \$1,237 as of June 30, 2017.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Post-Retirement Medical Care Benefits

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 Annual Required Contribution each year based upon projections from the July 1, 2015, actuarial valuation study performed by Demsey, Filliger & Associates.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 373,124
Interest on net OPEB obligation	42,925
Adjustments to annual required contribution	<u>(62,059)</u>
Annual OPEB cost (expense)	353,990
Contribution made	<u>(164,662)</u>
Increase (decrease) in net OPEB obligation	189,328
Net OPEB obligation - beginning of year	<u>1,073,121</u>
Net OPEB obligation - end of year	<u><u>\$ 1,262,449</u></u>

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017, and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contributed	Net OPEB Obligation
6/30/2015	309,798	(127,597)	41%	811,550
6/30/2016	358,654	(97,083)	27%	1,073,121
6/30/2017	353,990	(164,662)	47%	1,262,449

D. Funded Status and Funding Progress

The funding status of the City’s OPEB plan is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2015	\$ -	\$ 2,947,972	\$ 2,947,972	0%	\$ 5,980,354	49.29%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits.

E. Actuarial Methods and Assumptions

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs. The actuarial assumptions include a 4.00% discount rate, compounded annually, and it is based on the City expected rate of discount, based on the assumption that the plan will not be funded. The health care cost trend rate was assumed to be 6.00% for Fiscal Year 2015/2016 and 5.00% thereafter compounded annually. The SOA RP-2014 Total Dataset Mortality Probability of Death Within One Year mortality rates were also assumed.

F. Actuarial Cost Method

The Individual Entry Age Actuarial Cost Method was used. Under this method, the cost of each member’s projected retiree medical benefit is funded through a series of annual payments, determined as a level dollar amount, from age at hire to assumed exit age. This level amount, known as normal cost, is this computed as though the plan had always been in effect.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

F. Actuarial Cost Method (Continued)

The Individual Entry Age Actuarial Cost Method was used. Under this method, the cost of each member's projected retiree medical benefit is funded through a series of annual payments, determined as a level dollar amount, from age at hire to assumed exit age. This level amount, known as normal cost, is this computed as though the plan had always been in effect.

A yearly normal cost for each member is individually determined then added together to obtain the normal cost amount for the plan for that year. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). The annual cost of a plan consists of two components: normal cost and a payment, which may vary between prescribed limits, toward the UAAL.

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL. It is intended that the UAAL be recognized over a 30-year period through amortizations as a level dollar amount.

Note 9 – Classification of Fund Balance and Other Fund Disclosures

In governmental funds, fund balances are classified as follows:

	Major Funds						Total
	General	Transportation Development	Measure J	Measure L	Development Impact Fees	Non-Major	
<i>Nonspendable</i>							
Prepaid items	\$ 136,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,221
Advances to other funds	377,869	-	-	-	-	-	377,869
Inventory	17,663	-	-	-	-	-	17,663
Total	531,753	-	-	-	-	-	531,753
<i>Restricted</i>							
Transportation	-	9,937	-	416,170	-	-	426,107
Police services	-	-	404,420	-	-	-	404,420
Gas Tax	-	-	-	-	-	63,302	63,302
Development Impact	-	-	-	-	1,490,606	-	1,490,606
Grants	-	-	-	-	-	375,815	375,815
BAD, CFD, & LLMD	-	-	-	-	-	187,641	187,641
Park Development	-	-	-	-	-	99,032	99,032
Total	-	9,937	404,420	416,170	1,490,606	725,790	3,046,923
<i>Committed</i>							
Capital projects	-	-	-	-	-	1,474	1,474
Total	-	-	-	-	-	1,474	1,474
<i>Unassigned</i>							
	1,625,473	-	-	-	-	(170,895)	1,454,578
Total fund balances	\$ 2,157,226	\$ 9,937	\$ 404,420	\$ 416,170	\$ 1,490,606	\$ 556,369	\$ 5,034,728

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Encumbrances (Continued)

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, 2017 as follows:

Fund	Amount
Transportation Development	\$ 598,649
Non-Major	118,288
Business Typ Activities	
Water	162,434
Total encumbrances	\$ 879,371

Capital Commitments

The City is undertaking a number of capital improvement projects, the most significant of which include the following capital project commitments outstanding at June 30, 2017:

Project	Amount
Placerville Station II	\$ 807,503
Western Placerville Interchange	524,666
Total commitments	\$ 1,332,169

Fund Equity Deficits

The City's governmental activities had an unrestricted net position (deficit) of \$(6,455,252) as of June 30, 2017. This is mainly due to reporting of net pension liability of \$(12,933,771) 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 \$(170,895) at June 30, 2017. 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, 2017.

Fund	Function	Excess
General Fund	Public safety	\$ (148,697)
General Fund	Highways and streets	\$ (106,171)
General Fund	Community development	\$ (56,607)
Measure J Fund	General Government	\$ (470)
Parking District Fund	General Government	\$ (749)
Grants Fund	Public safety	\$ (5,818)
BAD, CFD, & LLMD Fund	Parks and recreation	\$ (7,806)

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

The following provides a reconciliation of claims payable, which are recorded as an Internal Service Fund, for the three years ended June 30, 2015, 2016, and 2017:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments For Current and Prior Years	End of Year Liability
2014-2015	\$ 275,287	\$ 70,436	\$ (67,420)	\$ 278,303
2015-2016	278,303	311,330	(340,740)	248,893
2016-2017	248,893	354,767	(256,566)	347,094

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Risk Management (Continued)

Northern California Cities Self Insurance Fund (Continued)

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, 2017:

Total Assets (Primary Investments)	\$55,038,345
Deferred Outflow of Resources	\$ -
Total Liability	\$ 39,042,266
Deferred Inflows of Resources	\$ -
Net Position	\$ 15,996,079
Total Revenues	\$ 17,808,078
Total Expenses	\$ 15,666,348
Net Income (Loss)	\$ 2,141,730

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.

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 Wesco Insurance Company. The fifth layer of ten million dollars is covered by Evanston Insurance/Argonaut Insurance. 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, 2017:

Total Assets (Primary Investments)	\$46,277,786
Deferred Outflow of Resources	\$ 684,922
Total Liability	\$ 22,103,326
Deferred Inflows of Resources	\$ 34,641
Net Position	\$ 24,824,741
Total Revenues	\$ 15,186,629
Total Expenses	\$ 11,509,392
Net Income (Loss)	\$ 3,677,237

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 cities 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, 2017, City property tax revenue assigned to the District amounted to approximately \$1,603,297.

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.

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Contingencies (Continued)

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 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.

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Limited Obligation Assessment Bonds and Revenue Bonds (Continued)

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.

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.

CITY OF PLACERVILLE
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Defaults (Continued)

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.

**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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 224,654	\$ 224,654	\$ 249,114	\$ 24,460
Sales tax	4,554,766	4,554,766	4,614,719	59,953
Transient occupancy taxes	180,742	180,742	209,652	28,910
Other taxes	180,459	180,459	217,600	37,141
Franchise fees	291,766	291,766	310,681	18,915
Licenses and permits	110,000	110,000	204,018	94,018
Fines and forfeitures	111,903	111,903	107,115	(4,788)
Use of money and property	48,969	48,969	224,207	175,238
Intergovernmental	885,634	885,634	853,524	(32,110)
Charges for services	841,960	841,960	774,161	(67,799)
Other revenues	808,854	808,854	577,000	(231,854)
Total Revenues	<u>8,239,707</u>	<u>8,239,707</u>	<u>8,341,791</u>	<u>102,084</u>
EXPENDITURES:				
Current:				
General government	2,650,487	2,650,487	2,464,039	186,448
Public safety	2,665,992	2,665,992	2,814,689	(148,697)
Highways and streets	581,760	581,760	687,931	(106,171)
Community development	545,784	545,784	602,391	(56,607)
Parks and recreation	1,982,960	1,982,960	1,826,772	156,188
Total Expenditures	<u>8,426,983</u>	<u>8,426,983</u>	<u>8,395,822</u>	<u>31,161</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(187,276)</u>	<u>(187,276)</u>	<u>(54,031)</u>	<u>133,245</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	299,739	299,739	321,063	21,324
Transfers out	(112,463)	(112,463)	(267,769)	(155,306)
Total Other Financing Sources (Uses)	<u>187,276</u>	<u>187,276</u>	<u>53,294</u>	<u>(133,982)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(737)</u>	<u>\$ (737)</u>
Fund Balance:				
Beginning of year			<u>2,157,963</u>	
End of year			<u>\$ 2,157,226</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Transportation Development Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Intergovernmental	\$ -	\$ 1,340,477	\$ 1,340,477	\$ -
Total Revenues	<u>-</u>	<u>1,340,477</u>	<u>1,340,477</u>	<u>-</u>
EXPENDITURES:				
Current:				
Highways and streets	-	1,459,138	1,459,138	-
Total Expenditures	<u>-</u>	<u>1,459,138</u>	<u>1,459,138</u>	<u>-</u>
REVENUES OVER (UNDER EXPENDITURES)	<u>-</u>	<u>(118,661)</u>	<u>(118,661)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	77,274	77,274	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>77,274</u>	<u>77,274</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (41,387)</u>	<u>(41,387)</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year			<u>51,324</u>	
End of year			<u>\$ 9,937</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Measure J Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Sales tax	\$ 974,312	\$ 974,312	\$ 1,028,353	\$ 54,041
Use of money and property	600	600	1,351	751
Total Revenues	<u>974,912</u>	<u>974,912</u>	<u>1,029,704</u>	<u>54,792</u>
EXPENDITURES:				
Current:				
General government	9,743	9,743	10,213	(470)
Public safety	1,033,722	1,033,722	985,337	48,385
Total Expenditures	<u>1,043,465</u>	<u>1,043,465</u>	<u>995,550</u>	<u>47,915</u>
REVENUES OVER (UNDER EXPENDITURES)	<u>(68,553)</u>	<u>(68,553)</u>	<u>34,154</u>	<u>102,707</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(42,187)	(42,187)	-	42,187
Total Other Financing Sources (Uses)	<u>(42,187)</u>	<u>(42,187)</u>	<u>-</u>	<u>42,187</u>
Change in Fund Balance	<u>\$ (110,740)</u>	<u>\$ (110,740)</u>	34,154	<u>\$ 144,894</u>
Fund Balance:				
Beginning of year			<u>370,266</u>	
End of year			<u>\$ 404,420</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Measure L Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Sales tax	\$ 486,266	\$ 486,266	\$ 467,663	\$ (18,603)
Use of money and property	43	43	24	(19)
Total Revenues	<u>486,309</u>	<u>486,309</u>	<u>467,687</u>	<u>(18,622)</u>
EXPENDITURES:				
Current:				
General government	6,687	6,687	6,687	-
Total Expenditures	<u>6,687</u>	<u>6,687</u>	<u>6,687</u>	<u>-</u>
REVENUES OVER (UNDER EXPENDITURES)	<u>479,622</u>	<u>479,622</u>	<u>461,000</u>	<u>(18,622)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(44,830)	(44,830)	(44,830)	-
Total Other Financing Sources (Uses)	<u>(44,830)</u>	<u>(44,830)</u>	<u>(44,830)</u>	<u>-</u>
Change in Fund Balance	<u>\$ 434,792</u>	<u>\$ 434,792</u>	416,170	<u>\$ (18,622)</u>
Fund Balance:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 416,170</u>	

City of Placerville
Required Supplementary Information (Unaudited) (Continued)
Budget Comparison Schedules – Development Impact Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Charges for services	\$ 535,860	\$ 535,860	\$ 859,379	\$ 323,519
Grant revenues	-	2,327,648	2,327,648	-
Total Revenues	<u>535,860</u>	<u>2,863,508</u>	<u>3,187,027</u>	<u>323,519</u>
EXPENDITURES:				
Current:				
Highways and streets	135,978	2,359,194	2,359,194	-
Total Expenditures	<u>135,978</u>	<u>2,359,194</u>	<u>2,359,194</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>399,882</u>	<u>504,314</u>	<u>827,833</u>	<u>323,519</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	48,000	48,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
Change in Fund Balance	<u>\$ 399,882</u>	<u>\$ 552,314</u>	875,833	<u>\$ 323,519</u>
Fund Balance:				
Beginning of year			<u>614,773</u>	
End of year			<u>\$ 1,490,606</u>	

CITY OF PLACERVILLE
Required Supplementary Information (Unaudited) (Continued)
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2017

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, 2016, 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 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, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.29400%	0.32009%	0.26224%
City's Proportionate Share of the net Pension Liability	\$ 10,213,253	\$ 8,781,468	\$ 7,270,669
City's Covered-Employee Payroll	<u>\$ 3,368,059</u>	<u>\$ 3,269,960</u>	<u>\$ 3,174,719</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>303.24%</u>	<u>268.55%</u>	<u>229.02%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>64.29%</u>	<u>68.11%</u>	<u>73.37%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.11778%	0.12183%	0.11316%
City's Proportionate Share of the net Pension Liability	\$ 6,099,938	\$ 5,019,871	\$ 4,440,588
City's Covered-Employee Payroll	<u>\$ 1,219,936</u>	<u>\$ 1,184,404</u>	<u>\$ 1,149,907</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>500.02%</u>	<u>423.83%</u>	<u>386.17%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>68.06%</u>	<u>73.49%</u>	<u>75.85%</u>

* -Ten year historical information is not available, therefore only two years are shown.

CITY OF PLACERVILLE
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans				
Actuarially Determined Contribution ²	\$ 821,706	\$ 758,296	\$ 563,533	\$ 588,875
Contribution in Relation to the Actuarially Determined Contribution ²	(821,706)	(758,296)	(563,533)	(588,875)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ³	\$ 3,469,101	\$ 3,368,059	\$ 3,269,960	\$ 3,174,719
Contributions as a Percentage of Covered-Employee Payroll	23.69%	22.51%	17.23%	18.55%
California Public Employees' Retirement System ("CalPERS") Safety Plans				
Actuarially Determined Contribution ²	\$ 488,725	\$ 457,324	\$ 332,478	\$ 319,107
Contribution in Relation to the Actuarially Determined Contribution ²	(488,725)	(457,324)	(332,478)	(319,107)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ³	\$ 1,256,534	\$ 1,219,936	\$ 1,184,404	\$ 1,149,907
Contributions as a Percentage of Covered-Employee Payroll	38.89%	37.49%	28.07%	27.75%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

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.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$437,864) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date:

6/30/2015

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65%, 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.

* -Ten year historical information is not available, therefore only three years are shown.

CITY OF PLACERVILLE
Required Supplementary Information (Unaudited) (Continued)
Schedule of Funding Progress of the Other Postemployment Healthcare Plan
For the Year Ended June 30, 2017

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
7/1/2009	\$ -	\$ 2,179,162	\$ 2,179,162	0%	\$ 5,216,335	41.78%
7/1/2012	-	2,472,921	2,472,921	0%	4,910,289	50.36%
7/1/2015	-	2,947,972	2,947,972	0%	5,980,354	49.29%

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**SUPPLEMENTARY
INFORMATION**

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NON-MAJOR GOVERNMENTAL FUNDS

City of Placerville
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Gas Tax	Parking District	Grants	BAD, CFD, & LLMD
ASSETS				
Cash and investments	\$ 63,073	\$ 163,872	\$ 132,069	\$ 194,581
Receivables:				
Accounts	-	25,941	-	1,264
Interest	229	15	5	193
Loans	-	-	871,232	-
Grants	-	-	440,072	-
Total assets	\$ 63,302	\$ 189,828	\$ 1,443,378	\$ 196,038
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 87,648	\$ -	\$ 8,397
Deposits payable	-	2,259	-	-
Due to other funds	-	-	10,546	-
Advances from other funds	-	270,816	-	-
Total liabilities	-	360,723	10,546	8,397
Deferred inflows of resources:				
Unavailable revenues	-	-	1,057,017	-
Total deferred inflows of resources	-	-	1,057,017	-
Fund Balances:				
Restricted	63,302	-	375,815	187,641
Committed	-	-	-	-
Unassigned (deficit)	-	(170,895)	-	-
Total fund balances	63,302	(170,895)	375,815	187,641
Total liabilities, deferred inflows of resources and fund balances	\$ 63,302	\$ 189,828	\$ 1,443,378	\$ 196,038

City of Placerville
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds		Total Other Governmental Funds
	Capital Projects	Park Development	
ASSETS			
Cash and investments	\$ 60,678	\$ 42,017	\$ 656,290
Receivables:			
Accounts	-	-	27,205
Interest	18	68	528
Loans	-	-	871,232
Grants	-	61,065	501,137
Total assets	\$ 60,696	\$ 103,150	\$ 2,056,392
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,222	\$ 126	\$ 105,393
Deposits payable	-	-	2,259
Due to other funds	-	-	10,546
Advances from other funds	50,000	-	320,816
Total liabilities	59,222	126	439,014
Deferred inflows of resources:			
Unavailable revenues	-	3,992	1,061,009
Total deferred inflows of resources	-	3,992	1,061,009
Fund Balances:			
Restricted	-	99,032	725,790
Committed	1,474	-	1,474
Unassigned (deficit)	-	-	(170,895)
Total fund balances	1,474	99,032	556,369
Total liabilities, deferred inflows of resources and fund balances	\$ 60,696	\$ 103,150	\$ 2,056,392

(Concluded)

City of Placerville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	Gas Tax	Parking District	Grants	BAD, CFD, & LLMD
REVENUES:				
Fines and forfeitures	\$ -	\$ 8,360	\$ -	\$ -
Use of money and property	762	49	372	545
Intergovernmental	228,472	-	228,609	-
Charges for services	-	165,172	-	101,031
Grant revenues	-	-	53,653	-
Total revenues	<u>229,234</u>	<u>173,581</u>	<u>282,634</u>	<u>101,576</u>
EXPENDITURES:				
Current:				
General government	-	4,920	-	-
Public safety	-	-	227,749	-
Highways and streets	-	225,505	-	8,041
Parks and recreation	-	-	-	50,681
Total expenditures	<u>-</u>	<u>230,425</u>	<u>227,749</u>	<u>58,722</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>229,234</u>	<u>(56,844)</u>	<u>54,885</u>	<u>42,854</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	133,509	27,560	-
Transfers out	(281,647)	-	-	-
Total other financing sources (uses)	<u>(281,647)</u>	<u>133,509</u>	<u>27,560</u>	<u>-</u>
CHANGE IN FUND BALANCE	(52,413)	76,665	82,445	42,854
FUND BALANCE:				
Beginning of year	115,715	(247,560)	293,370	144,787
End of year	<u>\$ 63,302</u>	<u>\$ (170,895)</u>	<u>\$ 375,815</u>	<u>\$ 187,641</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, 2017

	Special Revenue Funds		Total Other Governmental Funds
	Capital Projects	Park Development	
REVENUES:			
Fines and forfeitures	\$ -	\$ -	\$ 8,360
Use of money and property	108	165	2,001
Lease revenue	-	-	457,081
Intergovernmental	-	80,315	346,518
Charges for Services	-	679	54,332
Total revenues	<u>108</u>	<u>81,159</u>	<u>868,292</u>
EXPENDITURES:			
Current:			
General government	25,040	-	29,960
Public safety	-	-	227,749
Highways and streets	4,207	-	237,753
Parks and recreation	14,313	24,515	89,509
Total expenditures	<u>43,560</u>	<u>24,515</u>	<u>584,971</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(43,452)</u>	<u>56,644</u>	<u>283,321</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	22,114	-	183,183
Transfers out	-	-	(281,647)
Total other financing sources (uses)	<u>22,114</u>	<u>-</u>	<u>(98,464)</u>
CHANGES IN FUND BALANCES	(21,338)	56,644	184,857
FUND BALANCES:			
Beginning of year	22,812	42,388	371,512
End of year	<u>\$ 1,474</u>	<u>\$ 99,032</u>	<u>\$ 556,369</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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 762	\$ 462
Intergovernmental	224,739	224,739	228,472	3,733
Total Revenues	<u>225,039</u>	<u>225,039</u>	<u>229,234</u>	<u>4,195</u>
EXPENDITURES:				
Current:				
Highways and streets	30,000	30,000	-	30,000
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>195,039</u>	<u>195,039</u>	<u>229,234</u>	<u>34,195</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(224,739)	(224,739)	(281,647)	(56,908)
Total Other Financing Sources (Uses)	<u>(224,739)</u>	<u>(224,739)</u>	<u>(281,647)</u>	<u>(56,908)</u>
Change in Fund Balance	<u>\$ (29,700)</u>	<u>\$ (29,700)</u>	<u>(52,413)</u>	<u>\$ (22,713)</u>
Fund Balance:				
Beginning of year			<u>115,715</u>	
End of year			<u>\$ 63,302</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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 8,360	\$ 8,360
Use of money and property	-	-	49	49
Charges for services	137,731	153,974	165,172	11,198
Total Revenues	137,731	153,974	173,581	19,607
EXPENDITURES:				
Current:				
General government	3,573	4,171	4,920	(749)
Highways and streets	146,658	239,758	225,505	14,253
Total Expenditures	150,231	243,929	230,425	13,504
REVENUES OVER (UNDER) EXPENDITURES	(12,500)	(89,955)	(56,844)	33,111
OTHER FINANCING SOURCES (USES):				
Transfers in	12,500	133,509	133,509	-
Total Other Financing Sources (Uses)	12,500	133,509	133,509	-
Change in Fund Balance	\$ -	\$ 43,554	76,665	\$ 33,111
Fund Balance:				
Beginning of year			(247,560)	
End of year			\$ (170,895)	

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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Other taxes	\$ 46,132	\$ 46,132	\$ -	\$ (46,132)
Use of money and property	-	-	372	372
Intergovernmental	179,795	230,795	228,609	(2,186)
Grant revenues	43,873	43,873	53,653	9,780
Total Revenues	269,800	320,800	282,634	(38,166)
EXPENDITURES:				
Current:				
Public safety	221,932	221,932	227,750	(5,818)
Total Expenditures	221,932	221,932	227,750	(5,818)
REVENUES OVER (UNDER) EXPENDITURES	47,868	98,868	54,884	(43,984)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	39,561	39,561
Transfers out	-	-	(12,000)	(12,000)
Total Other Financing Sources (Uses)	-	-	27,561	27,561
Change in Fund Balance	\$ 47,868	\$ 98,868	82,445	\$ (16,423)
Fund Balance:				
Beginning of year			293,370	
End of year			\$ 375,815	

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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ 750	\$ 750	\$ 545	\$ (205)
Charges for services	68,989	68,989	101,031	32,042
Total Revenues	<u>69,739</u>	<u>69,739</u>	<u>101,576</u>	<u>31,837</u>
EXPENDITURES:				
Current:				
Highways and streets	26,864	26,864	8,041	18,823
Parks and recreation	42,875	42,875	50,681	(7,806)
Total Expenditures	<u>69,739</u>	<u>69,739</u>	<u>58,722</u>	<u>11,017</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>42,854</u>	<u>42,854</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>42,854</u>	<u>\$ 42,854</u>
Fund Balance:				
Beginning of year			<u>144,787</u>	
End of year			<u>\$ 187,641</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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 108	\$ 108
Total Revenues	<u>-</u>	<u>-</u>	<u>108</u>	<u>108</u>
EXPENDITURES:				
Current:				
General government	-	25,040	25,040	-
Highways and streets	-	4,207	4,207	-
Parks and recreation	4,200	14,313	14,313	-
Total Expenditures	<u>4,200</u>	<u>43,560</u>	<u>43,560</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,200)</u>	<u>(43,560)</u>	<u>(43,452)</u>	<u>108</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,200	22,114	22,114	-
Total Other Financing Sources (Uses)	<u>4,200</u>	<u>22,114</u>	<u>22,114</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (21,446)</u>	<u>(21,338)</u>	<u>\$ 108</u>
Fund Balance:				
Beginning of year			<u>22,812</u>	
End of year			<u>\$ 1,474</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, 2017

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 165	\$ 165
Charges for services	47,520	47,520	80,315	32,795
Grant revenues	-	-	679	679
Total Revenues	<u>47,520</u>	<u>47,520</u>	<u>81,159</u>	<u>33,639</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	24,515	24,515	-
Total Expenditures	<u>-</u>	<u>24,515</u>	<u>24,515</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>47,520</u>	<u>23,005</u>	<u>56,644</u>	<u>33,639</u>
Change in Fund Balance	<u>\$ 47,520</u>	<u>\$ 23,005</u>	<u>56,644</u>	<u>\$ 33,639</u>
Fund Balance:				
Beginning of year			<u>42,388</u>	
End of year			<u>\$ 99,032</u>	

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

To the Honorable 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, 2017, 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 30, 2018.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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 30, 2018