

CITY OF ARCATA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



Prepared by:

Janet Luzzi
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

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736 F Street
Arcata, CA 95521

City Manager (707) 822-5953	Environmental Services 822-8184	Police 822-2428	Recreation 822-7091
Community Development 822-5955	Finance 822-5951	Public Works 822-5957	Transportation 822-3775

March 6, 2016

To the Honorable Mayor and Members of the City Council and Citizens of the City of Arcata:

We are pleased to submit the City of Arcata's Annual Financial Report for the fiscal year ended June 30, 2015. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Arcata, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair

presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Arcata

The City of Arcata is located 275 miles north of San Francisco. It is situated in an 11 square mile area in the northern coast region of California at the western mid-point of Humboldt County. The City is framed by the Pacific Ocean on the west, forested hills on the east, the Mad River on the North, and Humboldt Bay to the south. The City of Arcata was incorporated as the Town of Union in 1858. It was renamed "Arcata" in 1860. Arcata reincorporated as a general law city on May 4, 1903, under the Municipal Corporation Act of the State of California. The original township (including surrounding area) had a population of 553 persons. By 2014, the City has grown to an estimated population of approximately 17,750. It is 85.5% developed and is graced with a strong business base and a well-established residential community.

The City of Arcata operates under a Council-Manager form of government and provides municipal services that include public safety, public works, community development and parks and recreation. In addition, the City provides water, wastewater, transit, solid waste and stormwater services in the form of enterprise activities. This report includes all funds of the City of Arcata and its blended component unit, the Successor Agency of the Arcata Community Development Agency, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The Arcata City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Vice Mayor are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees.

Arcata is retail oriented and is fortunate to have a large area which serves as a hub for students at Humboldt State University.

The Arcata business climate has experienced benchmarked transformation initiated by local businesses as well as City-business partnerships. Improvements and programs include infrastructure renovations, façade improvements, a street banner program, and the adoption of a redevelopment plan area.

In Arcata, the total labor force is approximately 9,200. Unemployment in Arcata is approximately 7.4%. Within ten miles, there is a diverse labor force specializing in such occupations as sales, executive and managerial services, technical support, professional specialties, and other services.

The City of Arcata is committed to providing high quality services in an economical manner. For fiscal year 2014/15, the City's efforts were focused in the following areas.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. During the year, the City worked closely with a local manufacturing company to secure proceeds for the expansion of its manufacturing infrastructure so that it will be better positioned to meet long-term contract requirements with the federal government. In addition, Staff worked closely with the development community to promote the development of key sites, particularly the old Humboldt Flakeboard facility, which will be used for small manufacturing activities. Lastly, with the changing social-economic environment related to the medical marijuana industry, the City staff is working to develop a Medical Marijuana Innovation Zone in the industrial part of the City for niche manufacturing businesses that produce medical marijuana related products.

Current Economic Conditions and Outlook

The City's economic development efforts and implementation of the City's financial policies help to promote Arcata's long-term fiscal stability. Since incorporation, at the direction of Council, staff has conducted a systematic review of operations, resulting in some cases in the transition from contract service to an in-house operational model; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contract operational model with a different service provider. These operational analyses and reforms are intended to promote long-term savings to the City and ensure long-term stability. As part of this operation review, the City has established appropriation limits in key operational areas such as law enforcement, which has promoted increased operational efficiency.

The City's principle general fund revenue sources are sales tax, transactions and use tax, and vehicle license fees. For FY 2014/15, all these remained stable.

Sales tax is projected to remain steady for FY 2014/15. The City is 85.5% built out and no new significant sales tax generating businesses are anticipated in the near future. Motor Vehicle License Fees are projected to remain steady, also.

The City of Arcata anticipates minimal revenue growth for the next ten years. The City has a reserve policy which promotes maintaining a fund balances or working capital balances of at least 20% of operating expenditures. However, in order to assure that the City Council has some discretion, these reserves may be reduced in order to fund unforeseeable financial conditions such as transition funding in a recessionary economy, one-time expenditures or other budget shortfall stop gap measures of a temporary nature.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant

accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, Brett Jones, Davina The and Jaymin Patel of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



Janet M. Luzzi
Finance Director

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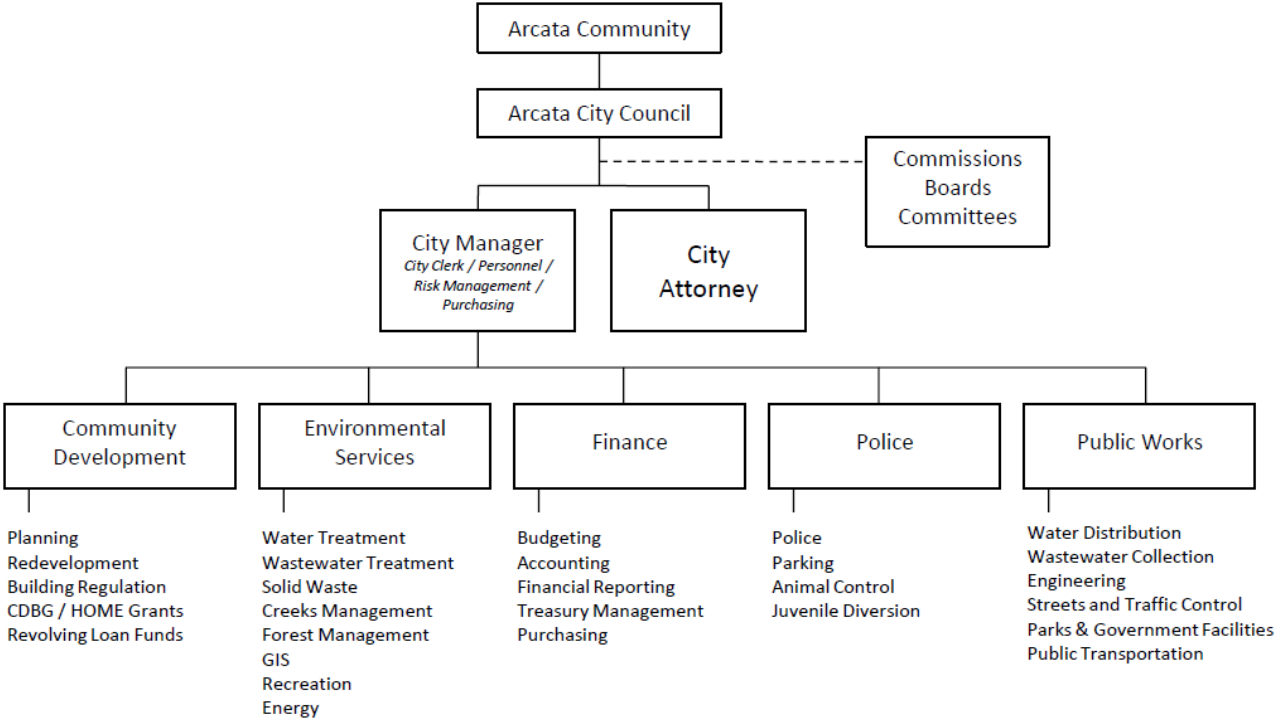


City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Organization Chart

City of Arcata

Organizational Chart



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

List of Officials

CITY COUNCIL

- Machael Winkler, Mayor
- Paul Pitino, Vice Mayor
- Susan Ornelas, Council Member
- Sofia Pereira, Council Member
- Mark Wheatley, Council Member

CITY OFFICIALS

- Karen Diemer, City Manager
- Janet Luzzi, Finance Director
- Larry Oetker, Community Development Director
- Tom Chapman, Chief of Police
- Doby Class, Public Works Director
- Mark Andre, Environmental Services Director
- Nancy Diamond, City Attorney

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Arcata
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Arcata, California (City), as of and for the year ended June 30, 2015, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–18, the Schedule of Funding Progress on page 102, the Schedules of Contribution on pages 103-108, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 109-114, 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 and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016 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 City's internal control over financial reporting and compliance.

March 9, 2016

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

In the 2014/15 fiscal year the City adopted two Governmental Accounting Standards Board (GASB) statements of financial accounting standards related to pension activities:

- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the City's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions. GASB Statement No. 71 is an amendment to GASB Statement No. 68 which clarifies that contributions to the City's pension plans subsequent to the measurement date are to be reported as deferred outflows of resources.

The significant impact to the City of implementing GASB Statement No. 68 is the reporting of the City's unfunded pension liability on the full accrual basis of accounting in the government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement. The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one-year lag in the release of actuarial reports from CalPERS and was used so that these financial statements could be issued in a timely manner. Activity (i.e. contributions made by the City) occurring during 2014/15 fiscal year are reported as deferred outflows of resources in accordance with Statement No. 71. The City did not reflect these pension standards in the 2014 results because the necessary actuarial information from the California Employees' Retirement System was not provided for the prior years presented.

The adoption of GASB Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures equal to the amount of the City's actuarially determined contribution (formerly referred to as the "annual required contribution").

The following outlines the financial highlights for the year:

- ◆ In the Government-wide Financial Statements, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) at June 30, 2015 decreased by \$21.8 million. The City's unrestricted net position was negatively impacted this year with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of GASB Statement No. 68 resulted in prior period adjustment which decreased the City's beginning net position by \$17.3 million. More information on the City's plans can be found in Note No.11 on pages 86-94 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

FINANCIAL HIGHLIGHTS, CONTINUED

- ◆ In addition to the decrease resulting from the implementation of GASB Statement No. 68, the City's net position decreased an additional \$4.5 million. Total city-wide assets increased \$2.0 million, resulting primarily from increased cash and investments in the business-type activities. Total city-wide liabilities, not including pension related liabilities increased \$6.5 million primarily from increased accounts payable, an increase in amounts due to the Successor Agency to the Arcata Community Development Agency from the City, and the refinance of City long-term debt.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$2.2 million compared to the 2014 fiscal year. Most of the increase resulted from increased revenues for property taxes, operating grants for street improvements, and charges for services in the business-like activities. The City's total expense for all programs in fiscal 2015 increased slightly by \$0.4 million, a 1.5 percent decrease.
- ◆ The City's governmental funds decreased by approximately \$6.0 million. This primarily results from the transfer of \$6.2 million from the City to the Successor Agency to the Arcata Community Development Agency pursuant to the recommendation identified in the Asset Transfer Review Report from the State Controller's Office.
- ◆ The general fund reported a fund balance of \$5.3 million at the end of the 2015 fiscal year, an increase of about \$2.0. This increase resulted from higher than anticipated property tax revenue. Also, several projects budgeted as capital improvements using general funds were not completed in fiscal year 2015, increasing fund balance by \$1.7 million.
- ◆ The City also ended the fiscal year with \$2.3 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is a decrease of approximately \$1.5 million from 2014 and results primarily from the prior period adjustment related to the implementation of GASB Statement No. 68 of \$4.1 million. Without regard to this adjustment, the proprietary enterprise funds increased net position by \$2.6 million.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and are comprised of the Statement of Net position and the Statement of Activities. The Statement of Net position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by private sector entities. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

Government-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City. There are two basic statements presented here: the Statement of Net Position and Statement of Activities. These statements present information about the following activities.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, parks and recreation, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ ***Business-type activities*** – All the City's enterprise activities are reported here, including Water, Wastewater, Transit, Solid Waste, and Stormwater. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

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 two categories: governmental funds and proprietary funds.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

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 Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable 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 the Governmental Fund Financial Statements 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 Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 Governmental Fund Financial Statements provide detailed 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 Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2015, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ CDBG Housing Special Revenue Fund
- ◆ Housing Revolving Loan Special Revenue Fund
- ◆ Basic Business Loan Revolving Special Revenue Fund

PROPRIETARY FUNDS:

- ◆ Water Enterprise Fund
- ◆ Wastewater Enterprise Fund
- ◆ Transit Enterprise Fund
- ◆ Solid Waste Enterprise Fund
- ◆ Stormwater Utility Enterprise Fund

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2015, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary 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 Water, Wastewater, Transit, Solid Waste, and Stormwater activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its information technology assets. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The fiduciary statements provide financial information about the activities of special deposits, such as successor agency activities for the former redevelopment agency, for which the City acts solely as an agent. They provide information about the cash balances and activities of these funds.

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. The notes to the basic financial statements can be found on pages 53–100 of this report. Required Supplementary Information follows the notes on pages 102-114.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 118–160 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$63,730,099 as of June 30, 2015. The Summary of Net position as of June 30, 2015, and 2014, follows:

	Summary of Net Position					
	2015			2014		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 34,681,404	\$ 7,675,484	\$ 42,356,888	\$ 34,676,969	\$ 4,990,347	\$ 39,667,316
Noncurrent assets	31,842,427	20,396,793	52,239,220	31,942,261	20,944,120	52,886,381
Deferred outflows of resources	1,292,309	407,509	1,699,818	-	-	-
Total assets and deferred outflows of resources	67,816,140	28,479,786	96,295,926	66,619,230	25,934,467	92,553,697
Current and other liabilities	6,975,556	1,273,230	8,248,786	2,136,468	1,059,321	3,195,789
Long-term liabilities	14,082,556	6,688,064	20,770,620	1,806,211	2,012,627	3,818,838
Deferred inflows of resources	2,696,213	850,208				
Total liabilities and deferred inflows of resources	23,754,325	8,811,502	29,019,406	3,942,679	3,071,948	7,014,627
Net position:						
Net invested in:						
Capital Assets	30,783,043	17,383,483	48,166,526	31,476,953	19,041,958	50,518,911
Restricted	2,475,312	-	2,475,312	2,997,651	-	2,997,651
Unrestricted	10,803,460	2,284,801	13,088,261	28,201,947	3,820,561	32,022,508
Total net position	\$ 44,061,815	\$ 19,668,284	\$ 63,730,099	\$ 62,676,551	\$ 22,862,519	\$ 85,539,070

The significant impact to the City implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* is the reporting of the City's unfunded pension liability on the full accrual basis of accounting in the government-wide financial statements. The implementation of GASB No. 68 resulted in prior period adjustment which decreased the City's beginning net position by \$17.3 million (\$13.2 million for governmental activities and \$4.1 million for business-type activities). The information included above for fiscal 2014 has not been restated to reflect the implementation of GASB Statement No. 68. More information on the City's plans can be found in Note No.11 on pages 86 – 94 of this report

The City's total net position decreased by \$21.8 million (\$18.6 million and \$3.2 million for governmental activities and business-type activities, respectively). As mentioned in the prior paragraph, the implementation of GASB Statement No. 68 required the pension liability to be recorded in the government-wide financial statements, resulting in a reduction of total net position. In addition to the decrease resulting from the implementation of GASB No. 68, the City's net position decreased an additional \$4.5 million. Total city-wide assets increased \$2.0 million, resulting primarily from increased cash and investments in the business-type activities. Total city-wide liabilities, not including pension related liabilities increased \$6.5 million primarily from increased accounts payable, an increase in amounts due to the Successor Agency to the Arcata Community Development Agency from the City, and the refinance of City long-term debt.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The largest portion of the City's net assets, approximately 75.5 percent, is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

A portion of the City's net position (3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$10.8 million is held by governmental activities and \$2.3 million is held by business-type activities.

Revenues

The City's total revenues for governmental and business-type activities were \$28,461,694 for the fiscal year ended June 30, 2015. Significant revenues for the City for fiscal year 2014/15 were derived from taxes (31.0%), operating grants and contributions (19.9%), and State motor vehicle in-lieu tax (5.2%).

The following discusses variances in key revenues from the prior fiscal year:

1. **Property Tax.** Property taxes increased by \$693,877, or 46%. This is due primarily from additional tax revenues being allocated to the City as a result of the elimination of the City's redevelopment agency.
2. **Sales Tax.** Sales taxes increased by \$291,481, or 6.9%. This increase results from additional revenues realized for Transactions and Use Tax for fiscal year 2014/15, primarily from tax assessed on general consumer goods and motor vehicles.
3. **Transient Occupancy Tax.** Annual receipts increased slightly in fiscal year 2014/15 by 4.7%.
4. **State Motor Vehicle In-Lieu Tax.** Annual receipts remained steady for fiscal year 2014/15.
5. **Charges for Services.** Annual receipts for business-type activities increased \$1,030,753, or 11.2%. This is reflective of the increase in water and wastewater utility charges of 11%.
6. **Grants and Contributions – Operating.** Annual receipts decreased by \$637,740, or 13%. The decrease in operating grants and contributions results from the one-time receipt of grant funds in the prior year for bus replacements.
7. **Grants and Contributions – Capital.** Annual receipts increased \$1,292,843. The increase results from one-time grant funds received for capital projects related to the construction of Foster Avenue Extension and Rails with Trails Phase I.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2015, and 2014, follows:

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,744,143	\$ 10,247,717	\$ 11,991,860	\$ 1,782,258	\$ 9,216,964	\$ 10,999,222
Grants and contributions:						
Operating	4,055,787	172,737	4,228,524	3,847,258	1,019,006	4,866,264
Capital	1,433,433	-	1,433,433	140,590	-	140,590
General revenues:						
Property taxes and assessments	1,506,192	-	1,506,192	812,315	-	812,315
Transient occupancy taxes	1,298,523	-	1,298,523	1,240,749	-	1,240,749
Sales and use tax	4,536,515	-	4,536,515	4,245,034	-	4,245,034
Franchise taxes	238,493	-	238,493	247,016	-	247,016
Utility users tax	1,213,323	-	1,213,323	1,217,352	-	1,217,352
Other taxes	31,008	-	31,008	30,930	-	30,930
Motor vehicle in lieu	1,478,488	-	1,478,488	1,440,257	-	1,440,257
Use of money and property	138,248	33,478	171,726	215,083	42,571	257,654
Other general	333,609	-	333,609	794,167	-	794,167
Total revenues	18,007,762	10,453,932	28,461,694	16,013,009	10,278,541	26,291,550
Expenses:						
Governmental activities:						
General government	1,787,580	-	1,787,580	4,029,723	-	4,029,723
Public safety	5,971,318	-	5,971,318	5,771,672	-	5,771,672
Public works	1,842,645	-	1,842,645	1,931,693	-	1,931,693
Community development	4,696,766	-	4,696,766	3,416,947	-	3,416,947
Parks and recreation	1,799,022	-	1,799,022	1,703,266	-	1,703,266
Interest and fiscal charges	39,726	-	39,726	16,921	-	16,921
Business-type activities:						
Water	-	3,391,254	3,391,254	-	3,529,856	3,529,856
Wastewater	-	3,496,415	3,496,415	-	3,614,914	3,614,914
Transit	-	1,171,385	1,171,385	-	1,274,043	1,274,043
Solid Waste	-	326,556	326,556	-	350,160	350,160
Stormwater	-	889,418	889,418	-	700,245	700,245
Total expenses	16,137,057	9,275,028	25,412,085	16,870,222	9,469,218	26,339,440
Excess (Deficiency) of revenues over expenditures before transfers						
	1,870,705	1,178,904	3,049,609	(857,213)	809,323	(47,890)
Transfer to fiduciary activities	(7,515,966)	-	(7,515,966)	(344,264)	-	-
Transfers	215,472	(215,472)	-	(131,919)	131,919	-
Change in net position	(5,429,789)	963,432	(4,466,357)	(1,333,396)	941,242	(47,890)
Net position:						
Beginning of year	62,676,551	22,862,519	85,539,070	64,009,947	21,921,277	85,931,224
Adjustments	(13,184,947)	(4,157,667)	(17,342,614)	-	-	-
Beginning, as adjusted	49,491,604	18,704,852	68,196,456	-	-	-
End of year	\$ 44,061,815	\$ 19,668,284	\$ 63,730,099	\$ 62,676,551	\$ 22,862,519	\$ 85,883,334

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$25,412,085. This is a decrease of \$927,355 from the prior fiscal year. Governmental activity expenses totaled \$16,137,057 or 63.5% of total expenses. Business-type activities incurred \$9,275,028 of expenses during the fiscal year. Public safety costs represented 37% of total governmental activities expenses, followed by community development (29%) and general government (11%).

Governmental Activities

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2015, and 2014, are as follows:

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,787,580	\$ 1,485	\$ 4,029,723	\$ 2,144,334
Public safety	5,971,318	5,531,725	5,771,672	5,091,885
Public works	1,842,645	(1,531,594)	1,931,693	(13,322)
Community development	4,696,766	3,660,588	3,416,947	2,619,146
Parks and recreation	1,799,022	1,201,764	1,703,266	1,241,152
Interest and fiscal charges	39,726	39,726	16,921	16,921
Total	\$ 16,137,057	\$ 8,903,694	\$ 16,870,222	\$ 11,100,116

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

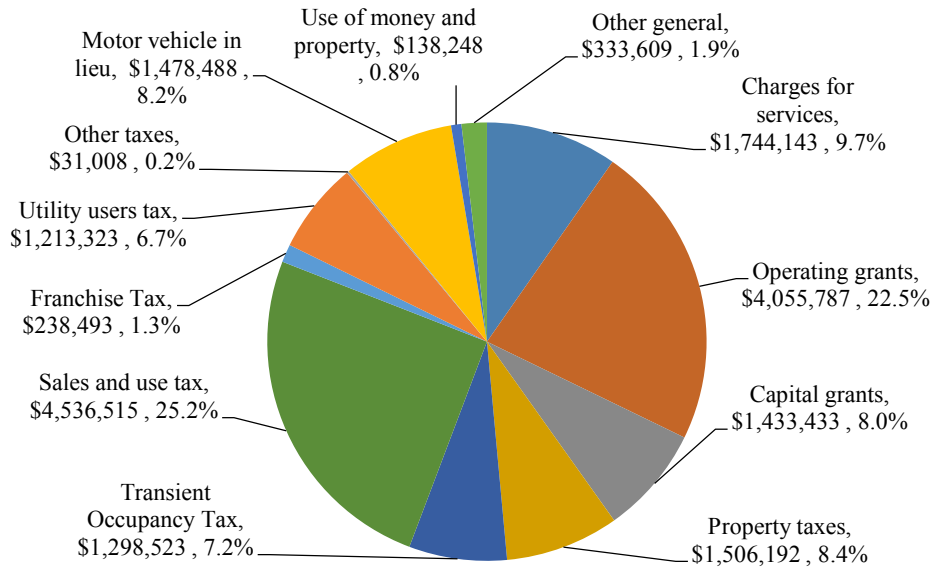
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

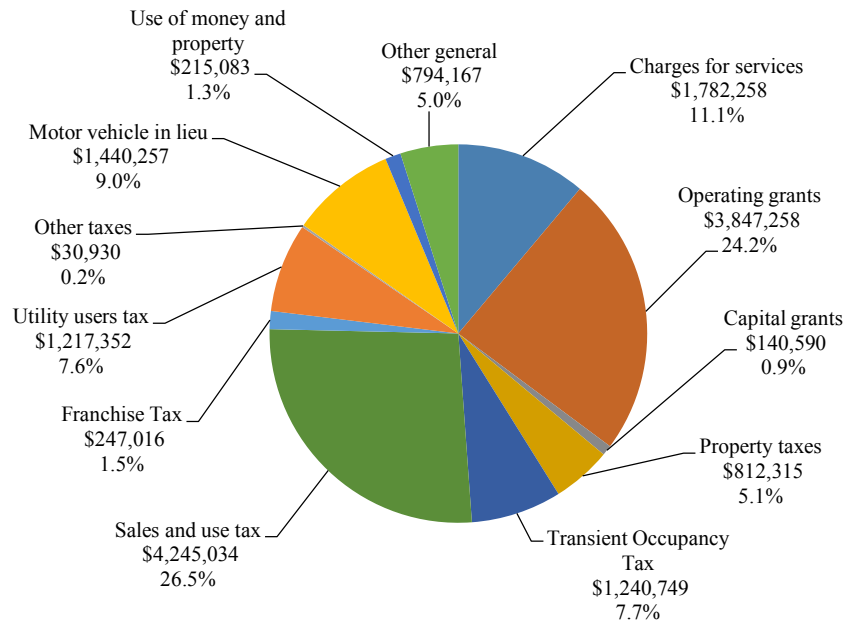
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2015, and 2014, are as follows:

Revenues by Source - Governmental Activities 2015



Revenues by Source - Governmental Activities 2014



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

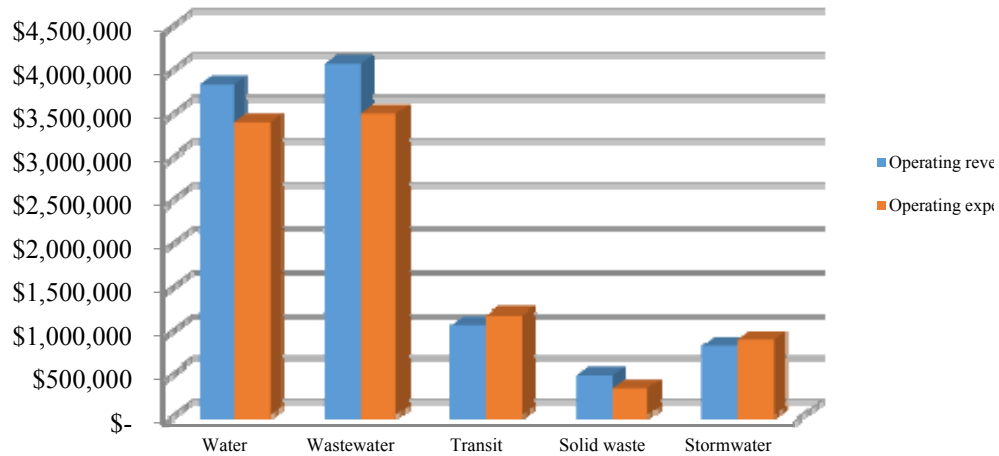
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

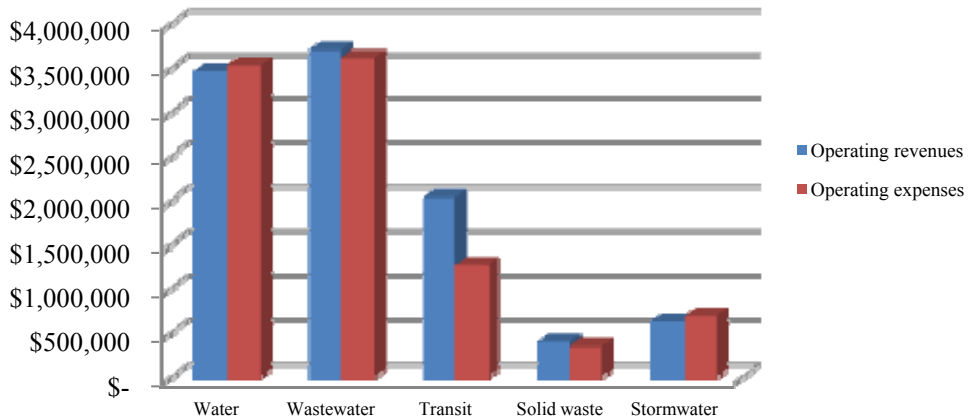
Business-type Activities

Business-type activities have increased the City’s net position by \$963,432. The City has five business-type activities: Water, Wastewater, Transit, Solid Waste, and Stormwater Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2015, and 2014, are as follows:

**Operating Revenues and Expenses
 Business-type Activities
 2015**



**Operating Revenues and Expenses
 Business-type Activities
 2014**



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

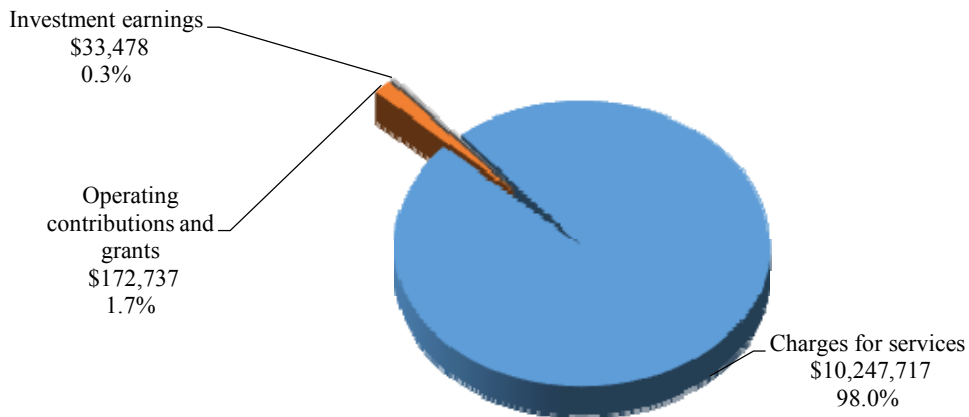
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

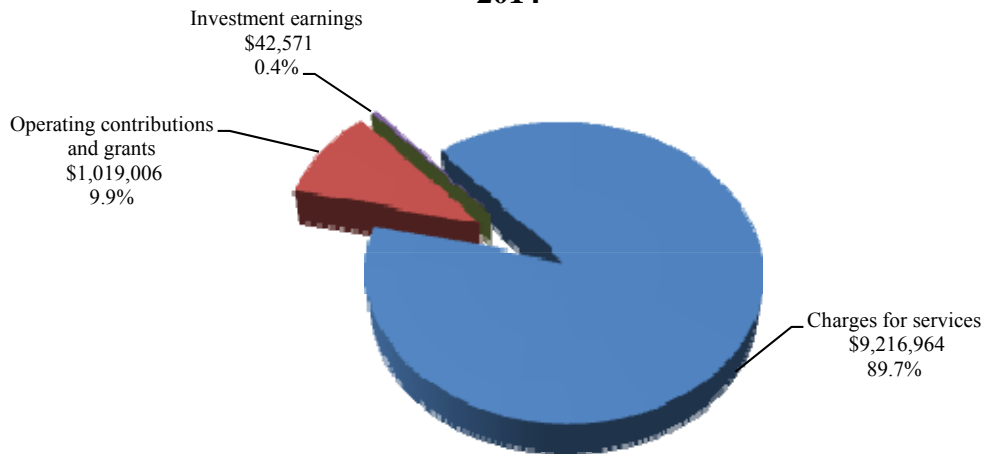
Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2015, and 2014, are as follows:

**Revenues by Source - Business-type Activities
2015**



**Revenues by Source - Business-type Activities
2014**



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Arcata uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2015, the City's governmental funds reported combined fund balances of \$6,644,504. This is a decrease of \$5,973,213 or 48.5% from last year. This primarily results from the transfer of \$6.2 million from the City to the Successor Agency to the Arcata Community Development Agency pursuant to the recommendation identified in the Asset Transfer Review Report from the State Controller's Office.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2015, General Fund unassigned fund balance totaled \$5,249,341. This is an increase of \$1,978,495 from the prior year. This increase resulted from higher than anticipated property tax revenue. Also, several projects budgeted as capital improvements using general funds were not completed in fiscal year 2015, increasing fund balance by \$1.7 million.

Several major capital construction projects were started and nearly completed during the fiscal year. Work on the long-planned Foster Avenue Extension project and Rails with Trail Phase I began during the year. The City spent approximately \$2.8 million on these projects during 204/15. Most of these costs are covered by grant funding.

Also, during the 2014/15, the City of Arcata was able to pay \$1,126,459 toward the amount identified by the Department of Finance in its determination letter regarding the Low and Moderate Income Housing Fund Due Diligence Review.

Proprietary funds. The City ended the fiscal year with \$2.3 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is a decrease of approximately \$1.5 million from 2014 and results primarily from the prior period adjustment related to the implementation of GASB Statement No. 68 of \$4.1 million. Without regard to this adjustment, the proprietary enterprise funds increased net position by \$2.6 million.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs unfavorably by \$307,058, or 2.2% of budget. This was mainly due to an overestimate of insurance reimbursement revenue. The difference between the final budget and actual expenditures differs favorably by \$2,579,038. This results primarily from capital outlay expenditures which were budgeted but not completed during the year. These will be carried over to the subsequent fiscal year.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

There was a \$1,651,288 difference between the total original budget and the total final amended budget. This was due primarily to the carryover of various capital outlay appropriations for street improvements from fiscal year 2013/14 in the amount of 980,557. In addition, the City was awarded several grants for which expenditures totaling \$356,046 were appropriated. Finally during the mid-year review of the City’s budget, an additional \$300,000 was appropriated for street improvements because of better than expected revenue receipts for property taxes. Actual expenditures were \$2,579,038 under budget (16.6% of budget). This resulted primarily from unspent capital outlay appropriations for street projects.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amount to \$52,154,660. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 15,588,539	\$ 16,394,043	\$ 7,390,409	\$ 7,390,409	\$ 22,978,948	\$ 23,784,452
Undergrounding facilities	90,025	90,025	4,183,054	4,334,894	4,273,079	4,424,919
Buildings and structures	5,860,996	6,051,550	2,943,110	3,196,972	8,804,106	9,248,522
Furniture and equipment	758,712	889,204	212,677	244,779	971,389	1,133,983
Other Improvements	2,778,781	2,138,528	3,934,847	4,009,937	6,713,628	6,148,465
Infrastructure	5,923,823	5,473,311	-	-	5,923,823	5,473,311
Vehicles	841,551	905,600	1,648,136	1,744,817	2,489,687	2,650,417
Total	\$ 31,842,427	\$ 31,942,261	\$ 20,312,233	\$ 20,921,808	\$ 52,154,660	\$ 52,864,069

There was a decrease in capital assets of \$709,409 which results from the transfer of land from the City to the Successor Agency to the Arcata Community Development Agency pursuant to the recommendation identified in the Asset Transfer Review Report from the State Controller’s Office.

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 59 for significant accounting policies and Note 5 on pages 72 – 73 for other capital asset information.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Long-Term Debt

At June 30, 2015, the City had a \$5,999,340 in long-term debt outstanding. During the year, the City refinanced the 2008 Municipal Loan in order to take advantage of lower interest rates. The City also refinanced the 2008 Municipal Lease for the purpose of funding several capital projects for City Hall and water infrastructure. Additional information about the City's long-term debt can be found in Note 7 to the basic financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Capital Lease Obligations	\$ 57,334	\$ 70,158	\$ -	\$ -	\$ 57,334	\$ 70,158
2015 Refunding of 2008 Lease	1,002,050	-	1,860,950	-	2,863,000	-
2015 Refunding of 2008 Loan	-	-	1,307,000	-	1,307,000	-
2008 Municipal Lease	-	395,150	-	733,850	-	1,129,000
2008 Municipal Loan	-	-	-	1,363,000	-	1,363,000
Compensated absences	397,724	458,948	149,737	177,035	547,461	635,983
Net OPEB obligation	1,224,545	1,063,408	-	-	1,224,545	1,063,408
Total	<u>\$ 2,681,653</u>	<u>\$ 1,987,664</u>	<u>\$ 3,317,687</u>	<u>\$ 2,273,885</u>	<u>\$ 5,999,340</u>	<u>\$ 4,261,549</u>

Economic Outlook and Next Year's Budget and Rates

In anticipation of a significant structural deficit for 2015/16, the City created a General Fund Budget Task Force (BTF) who was tasked to assist the City Council in prioritizing programs and services along with identifying opportunities for revenue enhancements. This Task Force met numerous times between December 2014 and May 2015 and presented its report to the City Council on June 3, 2015. Their report contained many recommendations on ways the City could increase revenues and reduce expenditures which will prove very helpful in future budget cycles.

Also, the retirement of several long-term City employees presented the City with an opportunity to review the City's overall Department structure to identify opportunities to deliver services more efficiently and to reduce overall staffing costs city-wide. On March 18, 2015, the City Manager presented a reorganization plan which was approved by the City Council. The initial phase of the restructuring reduced 4.5 positions for an estimated savings of \$310,000.

At the time of the budget adoption for fiscal year 2015/16, the economic outlook for the City of Arcata is considered stable. In addition to the actions taken by the City Council during fiscal year 2014/15 to address the structural deficit, the City has realized a significant increase in property tax revenue. Maintaining and growing revenue streams is a high priority for City staff. Expenses related to personnel (primarily health insurance premiums and pension costs) are increasing at a substantial pace. Staff continues to look to find cost saving measures to help offset these costs.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Arcata Finance Department, 736 F Street, Arcata, CA 95521, or visit the City's web page at www.cityofarcata.org.

BASIC FINANCIAL STATEMENTS

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City of Arcata, California
Statement of Net Position
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and investments	\$ 11,053,891	\$ 6,029,418	\$ 17,083,309
Receivables:			
Accounts	2,875,827	1,544,526	4,420,353
Loans/Notes receivable	20,608,651	-	20,608,651
Inventory	143,035	101,540	244,575
Total current assets	34,681,404	7,675,484	42,356,888
Noncurrent assets:			
Prepaid issuance costs	-	84,560	84,560
Capital assets:			
Nondepreciable	15,678,564	7,390,409	23,068,973
Depreciable	16,163,863	12,921,824	29,085,687
Total noncurrent assets	31,842,427	20,396,793	52,239,220
Total assets	66,523,831	28,072,277	94,596,108
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	1,292,309	407,509	1,699,818
Total assets and deferred outflows of resources	\$ 67,816,140	\$ 28,479,786	\$ 96,295,926
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,537,106	\$ 713,066	\$ 3,250,172
Interest payable	-	2,251	2,251
Deposits payable	20,306	281,279	301,585
Compensated absences - current portion	99,431	37,434	136,865
Other liabilities	984,378	-	984,378
Due to fiduciary activities	3,269,134	-	3,269,134
Due within one year	65,201	239,200	304,401
Total current liabilities	6,975,556	1,273,230	8,248,786
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	298,293	112,303	410,596
Due after one year	994,183	2,928,750	3,922,933
Net OPEB obligation	1,224,545	-	1,224,545
Net pension liability	11,565,535	3,647,011	15,212,546
Total noncurrent liabilities	14,082,556	6,688,064	20,770,620
Total liabilities	21,058,112	7,961,294	29,019,406
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	2,696,213	850,208	3,546,421
Total deferred inflows of resources	2,696,213	850,208	3,546,421
NET POSITION			
Net investment in capital assets	30,783,043	17,383,483	48,166,526
Restricted	2,475,312	-	2,475,312
Unrestricted	10,803,460	2,284,801	13,088,261
Total net position	44,061,815	19,668,284	63,730,099
Total liabilities, deferred inflows of resources and net position	\$ 67,816,140	\$ 28,479,786	\$ 96,295,926

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

City of Arcata, California
Statement of Activities
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,787,580	\$ 33,406	\$ 1,752,689	\$ -
Public safety	5,971,318	264,929	174,664	-
Public works	1,842,645	551,424	1,393,521	1,429,294
Community development	4,696,766	440,792	591,247	4,139
Parks and recreation	1,799,022	453,592	143,666	-
Interest and fiscal charges	39,726	-	-	-
Total governmental activities	16,137,057	1,744,143	4,055,787	1,433,433
Business-type activities:				
Water	3,391,254	3,818,613	-	-
Wastewater	3,496,415	4,066,041	-	-
Transit	1,171,385	1,061,490	172,737	-
Solid waste	326,556	483,687	-	-
Stormwater utility	889,418	817,886	-	-
Total business-type activities	9,275,028	10,247,717	172,737	-
Total primary government	\$ 25,412,085	\$ 11,991,860	\$ 4,228,524	\$ 1,433,433

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy tax, levied for general purposes
- Sales taxes
- Franchise taxes
- Utility users tax
- Other taxes

Intergovernmental:

- State motor vehicle in-lieu tax (MVLFF)
- Use of money and property
- Other general revenues

Total general revenues

Transfer to Fiduciary Activities

Transfers

Total general revenues and transfers

Change in net position

Net position:

- Beginning of year
- Adjustments
- Beginning, as adjusted
- End of year

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

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Totals
\$ (1,485)	\$ -	\$ (1,485)
(5,531,725)	-	(5,531,725)
1,531,594	-	1,531,594
(3,660,588)	-	(3,660,588)
(1,201,764)	-	(1,201,764)
(39,726)	-	(39,726)
(8,903,694)	-	(8,903,694)
-	427,359	427,359
-	569,626	569,626
-	62,842	62,842
-	157,131	157,131
-	(71,532)	(71,532)
-	1,145,426	1,145,426
(8,903,694)	1,145,426	(7,758,268)
1,506,192	-	1,506,192
1,298,523	-	1,298,523
4,536,515	-	4,536,515
238,493	-	238,493
1,213,323	-	1,213,323
31,008	-	31,008
1,478,488	-	1,478,488
138,248	33,478	171,726
333,609	-	333,609
10,774,399	33,478	10,807,877
(7,515,966)	-	(7,515,966)
215,472	(215,472)	-
3,473,905	(181,994)	3,291,911
(5,429,789)	963,432	(4,466,357)
62,676,551	22,862,519	85,539,070
(13,184,947)	(4,157,667)	(17,342,614)
49,491,604	18,704,852	68,196,456
\$ 44,061,815	\$ 19,668,284	\$ 63,730,099

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
CDBG Housing Special Revenue	Accounts for activities related to housing and the related CDBG funding.
Housing Revolving Special Revenue	Accounts for activities related to housing and the related funding applicable to the City's loan programs.
Basic Business Loan Revolving	Accounts for the City's business loan program.
STIP	Accounts for funds received and expended for the State Transportation Improvement Program.
Housing Successor	Accounts for funds received and expended for City low and moderate income housing.

City of Arcata, California

Balance Sheet

Governmental Funds

June 30, 2015

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
ASSETS			
Cash and investments	\$ 5,488,929	\$ 1,597,203	\$ 148,551
Receivables:			
Taxes	546,672	-	-
Interest	876	-	-
Intergovernmental	1,000,709	-	-
Loans/Notes receivable	-	3,736,789	11,635,480
Other receivable	19,770	16,851	2,577
Due from other funds	8,484	10,668	22,092
Inventory	3,815	-	-
Total assets	\$ 7,069,255	\$ 5,361,511	\$ 11,808,700
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 744,585	\$ 4,083	\$ -
Due to other funds	-	-	-
Deposits payable	-	-	-
Other liabilities	984,378	-	-
Due to fiduciary activities	-	-	-
Total liabilities	1,728,963	4,083	-
Deferred inflows of resources:			
Unavailable revenue	87,136	3,736,791	11,635,480
Total deferred inflows of resources:	87,136	3,736,791	11,635,480
Total Liabilities and deferred inflows	1,816,099	3,740,874	11,635,480
Fund balances:			
Nonspendable	3,815	-	-
Restricted	-	1,620,637	173,220
Assigned	-	-	-
Unassigned (Deficit)	5,249,341	-	-
Total fund balances	5,253,156	1,620,637	173,220
Total liabilities, deferred inflows and fund balances	\$ 7,069,255	\$ 5,361,511	\$ 11,808,700

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

Major Funds				
Basic Business Loan Revolving	STIP	Housing Successor	Nonmajor Governmental Funds	Totals
\$ 692,387	\$ -	\$ 720,878	\$ 1,484,211	\$ 10,132,159
-	-	-	-	546,672
-	-	-	-	876
-	802,916	-	476,397	2,280,022
2,877,084	-	2,359,298	-	20,608,651
2,943	-	31	6,085	48,257
-	-	-	439,567	480,811
-	-	-	118,258	122,073
<u>\$ 3,572,414</u>	<u>\$ 802,916</u>	<u>\$ 3,080,207</u>	<u>\$ 2,524,518</u>	<u>\$ 34,219,521</u>
\$ -	\$ 1,198,438	\$ 2,000	\$ 475,493	\$ 2,424,599
-	437,647	-	43,164	480,811
-	-	-	20,306	20,306
-	-	-	-	984,378
-	-	3,269,134	-	3,269,134
-	1,636,085	3,271,134	538,963	7,179,228
2,877,084	-	2,359,298	-	20,695,789
2,877,084	-	2,359,298	-	20,695,789
2,877,084	1,636,085	5,630,432	538,963	27,875,017
-	-	-	118,258	122,073
-	-	-	681,455	2,475,312
695,330	-	-	1,254,189	1,949,519
-	(833,169)	(2,550,225)	(68,347)	1,797,600
695,330	(833,169)	(2,550,225)	1,985,555	6,344,504
<u>\$ 3,572,414</u>	<u>\$ 802,916</u>	<u>\$ 3,080,207</u>	<u>\$ 2,524,518</u>	<u>\$ 34,219,521</u>

City of Arcata, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances - total governmental funds \$ 6,344,504

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 30,890,835

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$ (386,225)	
Due within one year	(65,201)	
Due after one year	(994,183)	
Net OPEB obligation	(1,224,545)	
Net pension liability	<u>(11,164,894)</u>	(13,835,048)

Governmental funds notes receivable from various loan programs are deferred under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Position under the accrual basis of accounting. 20,695,789

Pension obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets and liabilities.

Deferred outflows	1,292,309	
Deferred inflows	<u>(2,696,213)</u>	(1,403,904)

Internal services funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The assets and liabilities of the internal service funds are:

Current assets	942,694	
Noncurrent assets	951,592	
Accounts payable and accrued liabilities	(115,382)	
Noncurrent liabilities	<u>(409,265)</u>	<u>1,369,639</u>

Net Position of governmental activities \$ 44,061,815

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

City of Arcata, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2015

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets:					
Cash and investments	\$ 10,132,159	\$ -	\$ -	\$ 921,732	\$ 11,053,891
Receivables:					
Taxes	546,672	-	-	-	546,672
Interest	876	-	-	-	876
Intergovernmental	2,280,022	-	-	-	2,280,022
Loans/Notes receivable	20,608,651	-	-	-	20,608,651
Other receivable	48,257	-	-	-	48,257
Due from other funds	480,811	(480,811)	-	-	-
Inventory	122,073	-	-	20,962	143,035
Total current assets	34,219,521	(480,811)	-	942,694	34,681,404
Noncurrent assets:					
Capital assets, net	-	-	30,890,835	951,592	31,842,427
Total noncurrent assets	-	-	30,890,835	951,592	31,842,427
Total assets	34,219,521	(480,811)	30,890,835	1,894,286	66,523,831
Deferred outflows of resources:					
Pension Plan	-	-	1,247,543	44,766	1,292,309
Total assets and deferred outflows of resources	\$ 34,219,521	\$ (480,811)	\$ 32,138,378	\$ 1,939,052	\$ 67,816,140
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,424,599	\$ -	\$ -	\$ 112,507	\$ 2,537,106
Due to other funds	480,811	(480,811)	-	-	-
Deposits payable	20,306	-	-	-	20,306
Compensated absences - current portion	-	-	96,556	2,875	99,431
Other liabilities	984,378	-	-	-	984,378
Due to fiduciary activities	3,269,134	-	-	-	3,269,134
Due within one year	-	-	65,201	-	65,201
Total current liabilities	7,179,228	(480,811)	161,757	115,382	6,975,556
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	289,669	8,624	298,293
Due after one year	-	-	994,183	-	994,183
Net OPEB obligation	-	-	1,224,545	-	1,224,545
Net pension liability	-	-	11,164,894	400,641	11,565,535
Total noncurrent liabilities	-	-	13,673,291	409,265	14,082,556
Total liabilities	7,179,228	(480,811)	13,835,048	524,647	21,058,112
Deferred inflows of resources					
Unavailable revenue	20,695,789	-	(20,695,789)	-	-
Pension plan	-	-	2,602,813	93,400	2,696,213
Total liabilities and deferred inflows of resources:	27,875,017	(480,811)	(4,257,928)	618,047	23,754,325
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	122,073	(122,073)	-	-	-
Restricted	2,475,312	(2,475,312)	-	-	-
Assigned	1,949,519	(1,949,519)	-	-	-
Unassigned (deficit)	1,797,600	(1,797,600)	-	-	-
Net position:					
Net investment in capital assets	-	-	29,831,451	951,592	30,783,043
Restricted	-	-	2,475,312	-	2,475,312
Unrestricted	-	6,344,504	4,089,543	369,413	10,803,460
Total fund balances/net position	6,344,504	-	36,396,306	1,321,005	44,061,815
Total liabilities, deferred inflows and net position	\$ 34,219,521	\$ (480,811)	\$ 32,138,378	\$ 1,939,052	\$ 67,816,140

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

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
REVENUES:			
Taxes and assessments	\$ 8,793,046	\$ -	\$ -
Licenses and permits	331,937	-	-
Fines and forfeitures	235,266	-	-
Intergovernmental	1,801,916	-	-
Use of money and property	196,060	186,719	96,446
Charges for services	678,299	-	-
Reimbursements	1,842,949	-	-
Other revenues	47,863	31,705	-
Total revenues	13,927,336	218,424	96,446
EXPENDITURES:			
Current:			
General government	2,746,224	-	-
Public safety	5,582,271	-	-
Public works	714,578	-	-
Community development	1,062,607	259,367	236,241
Parks and recreation	1,429,532	-	-
Capital outlay	924,362	-	-
Debt service:			
Principal	395,150	-	-
Interest and fiscal charges	48,123	-	-
Total expenditures	12,902,847	259,367	236,241
REVENUES OVER (UNDER) EXPENDITURES	1,024,489	(40,943)	(139,795)
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of long term debt	1,002,050	-	-
Proceeds from sales of assets	-	-	-
Transfer to fiduciary activities	-	-	-
Transfers in	57,633	-	-
Transfers out	(108,000)	-	-
Total other financing sources (uses)	951,683	-	-
Net change in fund balances	1,976,172	(40,943)	(139,795)
FUND BALANCES:			
Beginning of year	3,276,984	1,661,580	313,015
End of year	<u>\$ 5,253,156</u>	<u>\$ 1,620,637</u>	<u>\$ 173,220</u>

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

Major Funds				
Basic Business Loans Revolving	STIP	Housing Successor	Other Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ 31,008	\$ 8,824,054
-	-	-	7,776	339,713
-	-	-	84,459	319,725
-	1,276,275	-	1,054,244	4,132,435
86,245	-	4,204	196,792	766,466
-	-	-	-	678,299
-	-	-	31,215	1,874,164
-	-	240,700	393,993	714,261
<u>86,245</u>	<u>1,276,275</u>	<u>244,904</u>	<u>1,799,487</u>	<u>17,649,117</u>
-	-	-	-	2,746,224
-	-	-	307,875	5,890,146
-	-	-	741,365	1,455,943
575	-	1,126,459	156,210	2,841,459
-	-	-	290,822	1,720,354
-	2,082,596	-	924,523	3,931,481
-	-	-	-	395,150
-	-	-	-	48,123
<u>575</u>	<u>2,082,596</u>	<u>1,126,459</u>	<u>2,420,795</u>	<u>19,028,880</u>
<u>85,670</u>	<u>(806,321)</u>	<u>(881,555)</u>	<u>(621,308)</u>	<u>(1,379,763)</u>
-	-	-	-	1,002,050
-	-	358,645	-	358,645
-	-	(2,027,315)	(4,142,302)	(6,169,617)
-	-	-	563,970	621,603
-	-	-	(298,131)	(406,131)
-	-	(1,668,670)	(3,876,463)	(4,593,450)
<u>85,670</u>	<u>(806,321)</u>	<u>(2,550,225)</u>	<u>(4,497,771)</u>	<u>(5,973,213)</u>
<u>609,660</u>	<u>(26,848)</u>	<u>-</u>	<u>6,483,326</u>	<u>12,317,717</u>
<u>\$ 695,330</u>	<u>\$ (833,169)</u>	<u>\$ (2,550,225)</u>	<u>\$ 1,985,555</u>	<u>\$ 6,344,504</u>

City of Arcata, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2015

Functions/Programs	Fund Based Totals	Compensated Absences/		Internal Service	Depreciation	Capital	OPEB	Pension Plan	Other	Government- wide Totals
		Debt Service	Asset (Additions)/ Retirements			Obligation/ Pension				
Governmental activities:										
General government	\$ 2,746,224	\$ (52,020)	\$ (630,673)	\$ 207,989	\$ 933,527	\$ 161,137	\$ (215,508)	\$ (1,363,096)	\$ 1,787,580	
Public safety	5,890,146	-	-	81,172	-	-	-	-	5,971,318	
Public works	1,455,943	-	-	386,702	-	-	-	-	1,842,645	
Community development	2,841,459	(12,824)	-	1,183,119	-	-	-	685,012	4,696,766	
Parks and recreation	1,720,354	-	-	78,668	-	-	-	-	1,799,022	
Capital outlay	3,931,481	-	-	-	(3,931,481)	-	-	-	-	
Debt service/Interest	443,273	(403,547)	-	-	-	-	-	-	39,726	
Total governmental activities	\$ 19,028,880	\$ (468,391)	\$ (630,673)	\$ 1,937,650	\$ (2,997,954)	\$ 161,137	\$ (215,508)	\$ (678,084)	\$ 16,137,057	

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

City of Arcata, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2015

Net change in fund balances - total governmental funds	\$ (5,973,213)
---	-----------------------

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 2,997,954	
Capital asset transfer from private purpose trust funds	-	
Depreciation expense	<u>(1,937,650)</u>	1,060,304

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.

(685,012)

Repayment and issuance of debt is an expenditure and other financing source in the governmental funds, but the repayment reduces and the issuance increases long-term liabilities in the Statement of Net Position:

Debt principal payments	403,547
Debt issuance	(1,002,050)

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:

Change in interest payable	-	
Capital lease obligations	12,824	
Transfers to fiduciary activities	(1,346,349)	
Change in compensated absences	<u>52,020</u>	(1,281,505)

Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Position:

Net OPEB obligation	(161,137)
Change in Due to fiduciary activities	1,363,096
Pension Plan	215,508

Internal services funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The change in Net Position of the Internal Service Funds is included in the governmental activities in the government-wide Statement of Net Position less amounts due to the change in net investment in capital assets of \$(131,800) reported above for capital assets.

313,198	
(131,800)	
<u>449,275</u>	<u>630,673</u>

Change in Net Position of governmental activities

\$ (5,429,789)

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2015

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 8,121,785	\$ 8,741,785	\$ 8,793,046	\$ 51,261
Licenses and permits	397,300	361,300	331,937	(29,363)
Fines and forfeitures	240,000	213,000	235,266	22,266
Intergovernmental	1,588,500	1,750,411	1,801,916	51,505
Use of money and property	161,935	171,935	196,060	24,125
Charges for services	676,750	689,550	678,299	(11,251)
Reimbursements	2,030,692	2,257,813	1,842,949	(414,864)
Other revenues	54,500	48,600	47,863	(737)
Total revenues	13,271,462	14,234,394	13,927,336	(307,058)
EXPENDITURES:				
Current:				
General government	3,423,801	3,442,202	2,746,224	695,978
Public safety	5,552,472	5,644,387	5,582,271	62,116
Public works	528,231	768,939	714,578	54,361
Community development	1,108,179	1,210,052	1,062,607	147,445
Parks and recreation	1,523,664	1,566,523	1,429,532	136,991
Capital outlay	1,629,450	2,784,982	924,362	1,860,620
Debt service:				
Principal	49,000	49,000	395,150	(346,150)
Interest and fiscal charges	15,800	15,800	48,123	(32,323)
Total expenditures	13,830,597	15,481,885	12,902,847	2,579,038
REVENUES OVER (UNDER)				
EXPENDITURES	(559,135)	(1,247,491)	1,024,489	2,271,980
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt	530,000	530,000	1,002,050	472,050
Proceeds from sales of assets	-	-	-	-
Transfer to fiduciary activities	-	-	-	-
Transfers in	117,633	117,633	57,633	(60,000)
Transfers out	(228,000)	(228,000)	(108,000)	120,000
Total other financing sources (uses)	419,633	419,633	951,683	532,050
Net change in fund balances	(139,502)	(827,858)	1,976,172	2,804,030
FUND BALANCES:				
Beginning of year	3,276,984	3,276,984	3,276,984	-
End of year	\$ 3,137,482	\$ 2,449,126	\$ 5,253,156	\$ 2,804,030

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

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
<u>Budgeted Amounts</u>		<u>Variance w/Final</u>		<u>Budgeted Amounts</u>		<u>Variance w/Final</u>	
<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
160,000	160,000	186,719	26,719	50,000	50,000	96,446	46,446
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	31,705	31,705	-	-	-	-
<u>160,000</u>	<u>160,000</u>	<u>218,424</u>	<u>58,424</u>	<u>50,000</u>	<u>50,000</u>	<u>96,446</u>	<u>46,446</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
877,711	877,711	259,367	618,344	125,575	274,402	236,241	38,161
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>877,711</u>	<u>877,711</u>	<u>259,367</u>	<u>618,344</u>	<u>125,575</u>	<u>274,402</u>	<u>236,241</u>	<u>38,161</u>
<u>(717,711)</u>	<u>(717,711)</u>	<u>(40,943)</u>	<u>676,768</u>	<u>(75,575)</u>	<u>(224,402)</u>	<u>(139,795)</u>	<u>84,607</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(717,711)</u>	<u>(717,711)</u>	<u>(40,943)</u>	<u>676,768</u>	<u>(75,575)</u>	<u>(224,402)</u>	<u>(139,795)</u>	<u>84,607</u>
<u>1,661,580</u>	<u>1,661,580</u>	<u>1,661,580</u>	<u>-</u>	<u>313,015</u>	<u>313,015</u>	<u>313,015</u>	<u>-</u>
<u>\$ 943,869</u>	<u>\$ 943,869</u>	<u>\$ 1,620,637</u>	<u>\$ 676,768</u>	<u>\$ 237,440</u>	<u>\$ 88,613</u>	<u>\$ 173,220</u>	<u>\$ 84,607</u>

(continued)

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2015

	Basic Business Loan Revolving			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Use of money and property	145,000	145,000	86,245	(58,755)
Charges for services	-	-	-	-
Reimbursements	-	-	-	-
Other revenues	-	-	-	-
Total revenues	145,000	145,000	86,245	(58,755)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	15,875	15,875	575	15,300
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	15,875	15,875	575	15,300
REVENUES OVER (UNDER)				
EXPENDITURES	129,125	129,125	85,670	(43,455)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Transfer to Successory Agency	-	-	-	-
Transfer to fiduciary activities	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	129,125	129,125	85,670	(43,455)
FUND BALANCES:				
Beginning of year	609,660	609,660	609,660	-
End of year	<u>\$ 738,785</u>	<u>\$ 738,785</u>	<u>\$ 695,330</u>	<u>\$ (43,455)</u>

STIP				Housing Successor			
Budgeted Amounts		Actual	Variance w/Final	Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)	Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,771,000	2,611,424	1,276,275	(1,335,149)	-	-	-	-
-	-	-	-	-	-	4,204	4,204
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	240,700	240,700
1,771,000	2,611,424	1,276,275	(1,335,149)	-	-	244,904	244,904
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	858,213	1,126,459	(268,246)
1,771,000	2,584,576	2,082,596	501,980	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,771,000	2,584,576	2,082,596	501,980	-	858,213	1,126,459	(268,246)
-	26,848	(806,321)	(833,169)	-	(858,213)	(881,555)	(23,342)
-	-	-	-	-	-	358,645	358,645
-	-	-	-	-	-	(2,053,366)	(2,053,366)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,694,721)	(1,694,721)
-	26,848	(806,321)	(833,169)	-	(858,213)	(2,576,276)	(1,718,063)
14,004	14,004	14,004	-	-	-	-	-
\$ 14,004	\$ 40,852	\$ (792,317)	\$ (833,169)	\$ -	\$ (858,213)	\$ (2,576,276)	\$ (1,718,063)

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ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.
Wastewater Fund	Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities.
Transit Fund	Accounts for Transportation Development Act revenues restricted for the City's transportation needs and fare revenue for the City's Dial a Ride program.
Solid Waste Fund	Accounts for all activities associated with the operation and maintenance of providing solid waste services.
Stormwater Utility Fund	Accounts for revenues and expenses associated with the administration and coordination of stormwater drainage activities in conjunction with the County of Humboldt.

City of Arcata, California
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Transit Fund</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,874,395	\$ 2,127,926	\$ 506,154
Receivables:			
Accounts	342,223	436,669	-
Intergovernmental	-	-	233,098
Inventory	87,315	12,461	-
Total current assets	<u>3,303,933</u>	<u>2,577,056</u>	<u>739,252</u>
Noncurrent assets:			
Prepaid debt issuance costs	52,185	32,375	-
Capital assets, net	3,179,841	7,339,722	2,170,529
Total noncurrent assets	<u>3,232,026</u>	<u>7,372,097</u>	<u>2,170,529</u>
Total Assets	<u>6,535,959</u>	<u>9,949,153</u>	<u>2,909,781</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	143,773	161,515	39,524
Total assets and deferred outflows of resources	<u>\$ 6,679,732</u>	<u>\$ 10,110,668</u>	<u>\$ 2,949,305</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 132,850	\$ 104,062	\$ 27,114
Accrued payroll	33,523	43,481	19,812
Due to other funds	-	-	-
Interest payable	-	2,251	-
Deposits payable	278,879	-	-
Compensated absences - current portion	11,911	13,779	6,129
Due within one year	96,200	143,000	-
Total current liabilities	<u>553,363</u>	<u>306,573</u>	<u>53,055</u>
Noncurrent liabilities:			
Compensated absences	35,732	41,337	18,388
Due after one year	1,764,750	1,164,000	-
Net pension liability	1,286,701	1,445,480	353,715
Total noncurrent liabilities	<u>3,087,183</u>	<u>2,650,817</u>	<u>372,103</u>
Total liabilities	<u>3,640,546</u>	<u>2,957,390</u>	<u>425,158</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	299,962	336,977	82,460
Total deferred inflows of resources	<u>299,962</u>	<u>336,977</u>	<u>82,460</u>
Net Position:			
Invested in capital assets net of related debt	1,415,091	6,175,722	2,170,529
Unrestricted	1,324,133	640,579	271,158
Total net position	<u>2,739,224</u>	<u>6,816,301</u>	<u>2,441,687</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,679,732</u>	<u>\$ 10,110,668</u>	<u>\$ 2,949,305</u>

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

<u>Solid Waste Fund</u>	<u>Stormwater Utility Fund</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 466,546	\$ 54,397	\$ 6,029,418	\$ 921,732
34,401	141,429	954,722	-
15,130	341,576	589,804	-
-	1,764	101,540	20,962
<u>516,077</u>	<u>539,166</u>	<u>7,675,484</u>	<u>942,694</u>
-	-	84,560	-
1,992	7,620,149	20,312,233	951,592
<u>1,992</u>	<u>7,620,149</u>	<u>20,396,793</u>	<u>951,592</u>
<u>518,069</u>	<u>8,159,315</u>	<u>28,072,277</u>	<u>1,894,286</u>
19,959	42,738	407,509	44,766
<u>\$ 538,028</u>	<u>\$ 8,202,053</u>	<u>\$ 28,479,786</u>	<u>\$ 1,939,052</u>
\$ 5,334	\$ 331,910	\$ 601,270	\$ 99,496
4,469	10,511	111,796	13,011
-	-	-	-
-	-	2,251	-
-	2,400	281,279	-
1,767	3,848	37,434	2,875
-	-	239,200	-
<u>11,570</u>	<u>348,669</u>	<u>1,273,230</u>	<u>115,382</u>
5,302	11,544	112,303	8,624
-	-	2,928,750	-
<u>178,628</u>	<u>382,487</u>	<u>3,647,011</u>	<u>400,641</u>
<u>183,930</u>	<u>394,031</u>	<u>6,688,064</u>	<u>409,265</u>
<u>195,500</u>	<u>742,700</u>	<u>7,961,294</u>	<u>524,647</u>
41,642	89,167	850,208	93,400
<u>41,642</u>	<u>89,167</u>	<u>850,208</u>	<u>93,400</u>
1,992	7,620,149	17,383,483	951,592
<u>298,894</u>	<u>(249,963)</u>	<u>2,284,801</u>	<u>369,413</u>
<u>300,886</u>	<u>7,370,186</u>	<u>19,668,284</u>	<u>1,321,005</u>
<u>\$ 538,028</u>	<u>\$ 8,202,053</u>	<u>\$ 28,479,786</u>	<u>\$ 1,939,052</u>

City of Arcata, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2015

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 3,818,613	\$ 4,066,041	\$ 1,060,886
Interdepartmental charges	-	-	-
Other operating revenue	-	-	604
Total operating revenues	3,818,613	4,066,041	1,061,490
OPERATING EXPENSES:			
Salaries and benefits	1,160,088	1,323,088	455,958
Contractual services	95,619	493,856	276,452
Materials and supplies	212,888	403,127	8,945
Repairs and maintenance	207,664	141,237	159,886
Purchased water	980,943	-	-
Utilities	56,814	145,934	6,802
Insurance	63,094	63,094	28,437
Taxes and fees	14,996	27,747	324
Allocated overhead	429,960	429,960	82,650
Depreciation	123,425	366,046	151,931
Amortization	-	-	-
Total operating expenses	3,345,491	3,394,089	1,171,385
OPERATING INCOME	473,122	671,952	(109,895)
NONOPERATING REVENUES (EXPENSES):			
Gain (Loss) from the sale of capital assets	-	-	-
Intergovernmental revenues (expenses)	-	-	172,737
Interest revenue	12,260	14,273	3,669
Interest expense	(45,763)	(102,326)	-
Total non-operating revenues, net	(33,503)	(88,053)	176,406
NET INCOME BEFORE TRANSFERS	439,619	583,899	66,511
Transfers in	-	-	-
Transfers out	(55,000)	(55,000)	(351,000)
Total transfers	(55,000)	(55,000)	(351,000)
CHANGE IN NET POSITION	384,619	528,899	(284,489)
NET POSITION:			
Beginning of year	3,821,470	7,935,279	3,129,419
Adjustments	(1,466,865)	(1,647,877)	(403,243)
Beginning of year, as adjusted	2,354,605	6,287,402	2,726,176
End of year	\$ 2,739,224	\$ 6,816,301	\$ 2,441,687

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 475,547	\$ 813,462	\$ 10,234,549	\$ -
-	-	-	1,428,712
8,140	4,424	13,168	2,906
<u>483,687</u>	<u>817,886</u>	<u>10,247,717</u>	<u>1,431,618</u>
137,812	360,342	3,437,288	335,718
78,282	101,968	1,046,177	57,499
12,559	275,426	912,945	240,932
3,425	9,851	522,063	45,191
-	-	980,943	-
-	224	209,774	-
3,883	11,163	169,671	118,665
-	10,261	53,328	-
90,220	91,760	1,124,550	43,417
375	29,142	670,919	291,960
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>326,556</u>	<u>890,137</u>	<u>9,127,658</u>	<u>1,133,382</u>
<u>157,131</u>	<u>(72,251)</u>	<u>1,120,059</u>	<u>298,236</u>
-	-	-	10,339
-	-	172,737	-
3,276	-	33,478	4,573
-	719	(147,370)	50
<u>3,276</u>	<u>719</u>	<u>58,845</u>	<u>14,962</u>
160,407	(71,532)	1,178,904	313,198
-	275,528	275,528	-
(30,000)	-	(491,000)	-
<u>(30,000)</u>	<u>275,528</u>	<u>(215,472)</u>	<u>-</u>
130,407	203,996	963,432	313,198
374,118	7,602,233	22,862,519	1,464,546
(203,639)	(436,043)	(4,157,667)	(456,739)
<u>170,479</u>	<u>7,166,190</u>	<u>18,704,852</u>	<u>1,007,807</u>
<u>\$ 300,886</u>	<u>\$ 7,370,186</u>	<u>\$ 19,668,284</u>	<u>\$ 1,321,005</u>

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2015

	<u>Water Fund</u>	<u>Wastewater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 3,763,884	\$ 3,976,562
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(2,112,248)	(1,869,905)
Cash payments to employees for services	(1,196,463)	(1,358,117)
Net cash provided by operating activities	<u>455,173</u>	<u>748,540</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	-
Transfers paid	(55,000)	(55,000)
Net cash used by noncapital financing activities	<u>(55,000)</u>	<u>(55,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	-	-
Acquisition and construction of capital assets	245,315	-
Principal paid on long term debt	1,127,100	(56,000)
Interest paid on long term debt	(45,763)	(107,260)
Proceeds from the sale of capital assets	-	-
Net cash (used) by capital and related financing activities	<u>1,326,652</u>	<u>(163,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	12,260	14,273
Net cash provided by investing activities	<u>12,260</u>	<u>14,273</u>
Net increase (decrease) in cash and cash equivalents	1,739,085	544,553
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,135,310	1,583,373
End of year	<u>\$ 2,874,395</u>	<u>\$ 2,127,926</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ 473,122	\$ 671,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	123,425	366,046
Pension expense	(23,975)	(26,935)
(Increase) decrease in current assets:		
Accounts receivable	(92,124)	(89,479)
Intergovernmental receivables	-	-
Inventory	(4,156)	5,002
Prepaid items	(43,607)	(18,641)
Increase (decrease) in liabilities:		
Accounts payable	(2,507)	(151,311)
Accrued liabilities	(2,319)	2,442
Deposits payable	37,395	-
Compensated absences	(10,081)	(10,536)
Net cash provided by operating activities	<u>\$ 455,173</u>	<u>\$ 748,540</u>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2015.

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

Transit Fund	Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities	
				Internal Service Funds	
\$ 868,522	\$ 462,705	\$ 470,679	\$ 9,542,352	\$ -	
-	-	-	-	1,431,618	
(560,706)	(192,563)	(185,204)	(4,920,626)	(506,634)	
(454,065)	(144,693)	(373,252)	(3,526,590)	(349,031)	
(146,249)	125,449	(87,777)	1,095,136	575,953	
-	-	275,528	275,528	-	
(351,000)	(30,000)	-	(491,000)	-	
(351,000)	(30,000)	275,528	(215,472)	-	
172,737	-	-	172,737	-	
-	(1)	(306,658)	(61,344)	(160,160)	
-	-	-	1,071,100	-	
-	-	719	(152,304)	50	
-	-	-	-	10,339	
172,737	(1)	(305,939)	1,030,189	(149,771)	
3,669	3,276	-	33,478	4,573	
3,669	3,276	-	33,478	4,573	
(320,843)	98,724	(118,188)	1,943,331	430,755	
826,997	367,822	172,585	4,086,087	490,977	
\$ 506,154	\$ 466,546	\$ 54,397	\$ 6,029,418	\$ 921,732	
\$ (109,895)	\$ 157,131	\$ (72,251)	\$ 1,120,059	\$ 298,236	
151,931	375	29,142	670,919	291,960	
(6,592)	(3,328)	(7,127)	(67,957)	(7,464)	
-	(10,999)	(5,631)	(198,233)	-	
(192,968)	(9,983)	(341,576)	(544,527)	-	
-	-	108	954	(7,389)	
-	-	-	(62,248)	-	
2,790	(4,194)	315,341	160,119	6,459	
7,246	(564)	(851)	5,954	3,355	
-	-	-	37,395	-	
1,239	(2,989)	(4,932)	(27,299)	(9,204)	
\$ (146,249)	\$ 125,449	\$ (87,777)	\$ 1,095,136	\$ 575,953	

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FIDUCIARY ACTIVITIES

Fund	Description
Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.	
Private Purpose Trust Funds	
Successor Agency - Arcata Community Development Agency	Accounts for funds collected and disbursed for the dissolution of the former Arcata Community Development Agency related to Administration and Retirement of enforceable obligations
Housing	Accounts for funds collected and disbursed for the dissolution of the former Arcata Community Development Agency's housing related debts.

City of Arcata, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2015

	Successor Agency		
	Former Arcata Community Development Agency	Housing	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 4,327,727	\$ -	\$ 4,327,727
Cash and investments with trustee/fiscal agent	-	-	-
Due from the City of Arcata	3,269,134	-	3,269,134
Total current assets	<u>7,596,861</u>	<u>-</u>	<u>7,596,861</u>
Property, plant, and equipment, net	1,320,298	-	1,320,298
Total assets	<u>8,917,159</u>	<u>-</u>	<u>8,917,159</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	19,341	-	19,341
Total assets and deferred outflows of resources	<u>\$ 8,936,500</u>	<u>\$ -</u>	<u>\$ 8,936,500</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	6,993	-	\$ 6,993
Deferred revenue	-	-	-
Interest payable	-	-	-
Due to City of Arcata	-	-	-
Due within one year	511,952	-	511,952
Total current liabilities	<u>518,945</u>	<u>-</u>	<u>518,945</u>
Long-term liabilities:			
Compensated absences	6,437	-	6,437
Due after one year	6,143,974	-	6,143,974
Net pension liability	173,089	-	173,089
Total long-term liabilities	<u>6,323,500</u>	<u>-</u>	<u>6,323,500</u>
Total liabilities	<u>6,842,445</u>	<u>-</u>	<u>6,842,445</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	40,351	-	40,351
Total deferred inflows of resources	<u>40,351</u>	<u>-</u>	<u>40,351</u>
NET POSITION (DEFICIT)			
Net invested in capital assets	(4,823,676)	-	(4,823,676)
Net position held in trust for Redevelopment Dissolution	6,877,380	-	6,877,380
Total Net Position (deficit)	<u>2,053,704</u>	<u>-</u>	<u>2,053,704</u>
Total liabilities and net position	<u>\$ 8,936,500</u>	<u>\$ -</u>	<u>\$ 8,936,500</u>

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

City of Arcata, California
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2015

	Successor Agency		
	Former Arcata Community Development Agency	Housing	Totals
	Agency	Housing	Totals
ADDITIONS:			
Property taxes	\$ 567,899	\$ -	\$ 567,899
Investment income	68,487	-	68,487
Other additions	250,000	-	250,000
Transfer from City	7,515,966	-	7,515,966
Gain on refunding	2,297,968	-	2,297,968
Total operating revenues	10,700,320	-	8,402,352
DEDUCTIONS:			
Community development	932,233	-	932,233
Interest and trustee fees	637,633	-	637,633
Depreciation and amortization	-	-	-
Transfer to City		37,545	37,545
Total operating expenses	1,569,866	37,545	1,607,411
CHANGE IN FIDUCIARY NET ASSETS	9,130,454	(37,545)	6,794,941
NET ASSETS (DEFICIT):			
Beginning of year	(6,879,426)	37,545	(6,841,881)
Adjustments	(197,324)	-	(197,324)
Beginning of year, as adjusted	(7,076,750)	37,545	(7,039,205)
End of year	<u>\$ 2,053,704</u>	<u>\$ -</u>	<u>\$ 2,053,704</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arcata (City) was incorporated in 1858, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police), highways and streets, solid waste, storm water utility, public improvements, planning and zoning, and general administration.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Arcata, Finance Department, 736 F Street, Arcata, CA 95521.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- CDBG Housing Special Revenue Fund
- Housing Revolving Special Revenue Fund

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation, Continued

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds

Internal Service Funds are used to account for financial transactions related to the City's Garage Department and Information Technology Department. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Fiduciary Funds

Basis of Presentation, Continued

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds and private purpose trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Accounting, Continued

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues and Transportation Development Act (TDA) revenues. Grant revenues are considered to be available if collected within 180 days and TDA revenues are considered to be available if collected within 90 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money 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 in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventories of governmental funds are recorded as expenditures when used or consumed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5 – 50 years	Landscaping	30 years
Roadway improvements	50 years	Signage	25 years
Sidewalks, curbs, and gutters	50 years	Leasehold improvements	5 years
Storm drain pipes/structures	50 years	Machinery and equipment	3 – 5 years
Traffic signal devices	5 – 40 years	Vehicles	3 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category, a deferred charge on pension plan contributions in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, the net deference between projected and actual earnings on pension plan investments and is reported in the government-wide statement of net position.

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for 40 to 120 hours of unused annual leave depending upon their length of service. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Equity Classification, Continued

Fund Financial Statements, continued

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the County of Humboldt (County) for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Revenues, Expenditures, and Expenses, continued

Property Tax, continued

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

The County levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year’s budget.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2015. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

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, liabilities, revenues and expenses. Actual results could differ from those estimates.

Implementation of GASB Statements 68 and 71 related to Pension Plans

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

In addition, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions". The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Implementation of GASB Statements 68 and 71 related to Pension Plans, Continued

In implementing these Statements, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the Plan reflected in an actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the City's prior Plan year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change in the liability. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Prior Period Adjustment

Due to the City's adoption of GASB 68, net position was adjusted at June 30, 2015. The following is a reconciliation of the total net position as previously reported at July 1, 2014, to the restated net position.

	Governmental Activities	Proprietary - Water Fund	Proprietary - Wastewater Fund	Proprietary - Solid Waste Fund	Proprietary - Utility Fund	Private Purpose Trust Fund - Former Arcata Community Development Agency
Net Position at June 30, 2014	\$ 62,676,551	\$ 3,821,470	\$ 3,129,419	\$ 374,118	\$ 7,602,233	\$ (6,879,426)
Adjustment:						
Adoption of GASB 68, pensions	(13,184,947)	(1,466,865)	(403,243)	(203,639)	(436,043)	(197,324)
Total Adjustments	(13,184,947)	(1,466,865)	(403,243)	(203,639)	(436,043)	(197,324)
Net Position at July 1, 2014, as adjusted	\$ 49,491,604	\$ 2,354,605	\$ 2,726,176	\$ 170,479	\$ 7,166,190	\$ (7,076,750)

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

2. CASH AND INVESTMENTS

At June 30, 2015, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair		
	<1	1 to 3	3 to 5		Market Value		
<u>Cash equivalents and investments pooled</u>							
Pooled cash, at fair value							
Cash in bank	\$ -	\$ -	\$ -	\$ 9,354,954	\$ 9,354,954		
Petty cash	-	-	-	1,325	1,325		
Total pooled items	-	-	-	9,356,279	9,356,279		
<u>Pooled investments, at fair value</u>							
Interest obligations							
<u>Par</u>	<u>Rate</u>						
\$ 4,991,000	0.375 - 2.05%	Federal Agency Securities	189,987	3,171,645	1,669,945	-	5,031,577
3,940,000	0.25 - 2.050%	US Treasury Notes	325,213	2,111,619	1,497,241	-	3,934,073
1,813,000	0.700 - 2.300%	Corporate notes	115,070	1,201,108	500,551	-	1,816,729
		Cash equivalent	32,707	-	-	-	32,707
		State of California Local Agency Investment Fund	1,239,671	-	-	-	1,239,671
		Total pooled investments - interest obligations	1,902,648	6,484,372	3,667,737	-	12,054,757
		Total cash equivalents and investments pooled	\$ 1,902,648	\$ 6,484,372	\$ 3,667,737	\$ 9,356,279	\$ 21,411,036
Amounts reported in:							
		Governmental activities				\$	10,132,159
		Business-type activities					6,029,418
		Internal services activities					921,732
		Fiduciary activities					4,327,727
		Total				\$	21,411,036

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>
U.S. Treasury notes	\$ 3,934,073	2.69
Federal agency securities	5,031,577	2.43
Corporate notes	1,816,729	2.62
Money market funds	32,707	-
State investment pool	1,239,671	0.65
Total fair value	\$ 12,054,757	
Portfolio weighted average maturity		2.35

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, *continued*

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code of the City’s investment policy. During the year ended June 30, 2013, the City’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	180 days	30%	None
Commercial Paper	180 days	15%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50 Million per entity
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, *continued*

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit risk – As of June 30, 2015, the City’s investments in money market funds were rated AAA by Standard & Poor’s and Fitch Ratings, and Aaa by Moody’s Investors Service. The State of California Local Agency Investment Fund is not rated.

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 0.97% of the pool 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 changes in interest rates.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, *continued*

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2015, the carrying amount of the City's deposits was \$9,354,954 and the balances in financial institutions were \$9,633,917. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$9,383,917 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2015, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

Custodial credit risk – investments. For investments, this 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 in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2015 was \$21,495,234,784 of which the City had a balance of \$1,239,671. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2015 has a portfolio with market valuation of \$69,672,945 thousand. Of the total invested, 99.03% was invested in non-derivative financial products and 0.97% in structured notes and asset-backed securities. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 49,157	\$ (900)	\$ 48,257
Intergovernmental	2,280,022	-	2,280,022
Interest	876	-	876
Taxes	546,672	-	546,672
	<u>\$ 2,876,727</u>	<u>\$ (900)</u>	<u>\$ 2,875,827</u>
Business-type activities			
Accounts receivable	\$ 1,005,722	\$ (51,000)	\$ 954,722
Intergovernmental	589,804	-	589,804
	<u>\$ 1,595,526</u>	<u>\$ (51,000)</u>	<u>\$ 1,544,526</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	77.29%	Financial Institutions	0.02%
Individuals/Business	22.69%		

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS AND NOTES RECEIVABLE

Through the City's various housing rehabilitation funds and first-time home buyer's funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest.

Loans and notes receivable for the year ended June 30, 2015, consisted of the following:

	<u>Beginning</u>			<u>Ending</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Community Development Block Grant	\$ 3,474,386	\$ 345,823	\$ (83,420)	\$ 3,736,789
HOME loans	13,498,843	239,652	(2,103,015)	11,635,480
Basic business revolving loans	101,141	-	(5,894)	95,247
Mobile home park low income housing assistance	1,721,299	-	-	1,721,299
First time home buyers	190,734	-	(10,196)	180,538
Rehabilitation loans	880,000	-	-	880,000
Housing successor loans	11,494	2,348,000	(196)	2,359,298
Total loans/notes receivable	<u>\$ 19,877,897</u>	<u>\$ 2,933,475</u>	<u>\$ (2,202,721)</u>	<u>\$ 20,608,651</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

4. LOANS AND NOTES RECEIVABLE, *continued*

The following is a summary of the loans and notes receivable outstanding as of June 30, 2015:

Community Development Block Grant – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2015, was \$3,736,789.

HOME Loans – The City participates in a HOME Loan program. The program is federally funded and provides loans for first-time homebuyers to eligible participants. The City makes loans available to resident homeowners who qualify as low income. These loans are deferred and the City maintains an equity sharing agreement with the participant. The balance of these loans at June 30, 2015, was \$11,635,480.

Basic Business Revolving Loans – These loans are made from unrestricted program income for the purpose of assisting local business with economic development loans for specifically identified purposes. The balance of these loans at June 30, 2015, was \$95,247.

Mobile Home Park Low Income Housing Assistance – The City began a program of housing assistance to help low and moderate income individuals with purchases of a mobile home. Qualifying individuals receive down payment assistance with the loan deferred as long as it is an owner-occupied dwelling. Interest and/or principal may be waived if certain terms are met by the borrower. The balance of these loans at June 30, 2015, was \$1,721,299.

First-Time Home Buyers – The City maintains loans receivable for Low and Moderate Income Housing. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Interest on certain loans may be waived by the City if the loan remains outstanding for the full term; therefore, interest income is recorded when received. The balance of these loans at June 30, 2015, was \$180,538.

Rehabilitation Loan – The City loaned \$880,000 to the Humboldt Bay Housing and Development Corporation for Low and Moderate Income Housing for Janes Creek Meadows. Land purchased by the City was deposited into the Community Land Trust for development purposes. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Upon development, the principal and interest on the loan may be waived by the City if the loan remains outstanding for the full term and the development is accepted by the City; therefore, interest income is recorded when received. The balance of these loans at June 30, 2015, was \$880,000.

Housing Successor Loans – In its April 2014 Asset Transfer Review Report (“SCO Review Report”), the State Controller’s Office determined that the former Arcata Community Development Agency had transferred \$30,586,012 in cash, investment funds and other assets to the City of Arcata and ordered the City to transfer \$8,751,168 of these assets to the Successor Agency.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

4. LOANS AND NOTES RECEIVABLE, *continued*

In order to comply with the SCO Review Report, the Arcata City Council approved the transfer of non-housing real property (valued at \$1,320,297) and non-housing note receivable (\$294,226) to the Successor Agency. On August 20, 2014, the remaining cash and investments on hand, which totaled \$3,881,539, was also transferred to the Successor Agency. The City of Arcata entered into a promissory note in favor of the Successor Agency for the remaining balance of \$3,255,106. At June 30, 2015, the balance of this promissory note was \$3,269,134.

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Governmental activities:					
Nondepreciable assets:					
Land	\$ 16,394,043	\$ 646,432	\$ (131,638)	\$ (1,320,298)	\$ 15,588,539
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	<u>16,484,068</u>	<u>646,432</u>	<u>(131,638)</u>	<u>(1,320,298)</u>	<u>15,678,564</u>
Depreciable assets:					
Buildings and structures	12,327,537	-	(120,569)	175,549	12,382,517
Furniture and equipment	5,139,523	113,344	(3,665)	(13,795)	5,235,407
Improvements	4,904,661	750,288	-	-	5,654,949
Infrastructure	42,818,615	1,546,258	-	-	44,364,873
Vehicles	3,873,984	160,161	(193,725)	1	3,840,421
Total depreciable assets	<u>69,064,320</u>	<u>2,570,051</u>	<u>(317,959)</u>	<u>161,755</u>	<u>71,478,167</u>
Total	<u>85,548,388</u>	<u>3,216,483</u>	<u>(449,597)</u>	<u>(1,158,543)</u>	<u>87,156,731</u>
Accumulated depreciation:					
Buildings and structures	(6,275,987)	(273,707)	28,173	-	(6,521,521)
Furniture and equipment	(4,250,319)	(233,951)	7,575	-	(4,476,695)
Improvements	(2,766,133)	(110,035)	-	-	(2,876,168)
Infrastructure	(37,345,304)	(1,095,746)	-	-	(38,441,050)
Vehicles	(2,968,384)	(224,211)	193,725	-	(2,998,870)
Total accumulated depreciation	<u>(53,606,127)</u>	<u>(1,937,650)</u>	<u>229,473</u>	<u>-</u>	<u>(55,314,304)</u>
Net depreciable assets	<u>15,458,193</u>	<u>632,401</u>	<u>(88,486)</u>	<u>161,755</u>	<u>16,163,863</u>
Total net capital assets	<u>\$ 31,942,261</u>	<u>\$ 1,278,833</u>	<u>\$ (220,124)</u>	<u>\$ (1,158,543)</u>	<u>\$ 31,842,427</u>

Depreciation expense for capital assets was charged to functions as follows:

General government	\$ 207,989
Public safety	81,172
Public works	94,742
Community development	1,183,119
Parks and recreation	78,668
Central Garage	284,944
Information Technology	7,016
	<u>\$ 1,937,650</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

5. CAPITAL ASSETS, *continued*

Business-type capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 7,390,409	\$ -	\$ -	\$ -	\$ 7,390,409
Total nondepreciable assets	7,390,409	-	-	-	7,390,409
Depreciable assets:					
Underground facilities	8,559,327	-	-	-	8,559,327
Buildings and structures	9,267,306	-	-	(19,967)	9,247,339
Furniture and equipment	3,105,375	-	-	-	3,105,375
Other improvements	6,913,698	306,659	(245,315)	-	6,975,042
Vehicles	2,727,511	-	-	19,968	2,747,479
Total depreciable assets	30,573,217	306,659	(245,315)	1	30,634,562
Total	37,963,626	306,659	(245,315)	1	38,024,971
Accumulated depreciation:					
Undergrounding facilities	(4,224,433)	(151,840)	-	-	(4,376,273)
Buildings and structures	(6,070,334)	(233,895)	-	-	(6,304,229)
Furniture and equipment	(2,860,596)	(32,102)	-	-	(2,892,698)
Other improvements	(2,903,761)	(136,433)	-	(1)	(3,040,195)
Vehicles	(982,694)	(116,649)	-	-	(1,099,343)
Total accumulated depreciation	(17,041,818)	(670,919)	-	(1)	(17,712,738)
Net depreciable assets	13,531,399	(364,260)	(245,315)	-	12,921,824
Total net capital assets	\$ 20,921,808	\$ (364,260)	\$ (245,315)	\$ -	\$ 20,312,233

Depreciation expense for capital assets was charged to functions as follows:

Water	\$ 123,425
Wastewater	366,046
Transit	151,931
Solid Waste	375
Stormwater	29,142
	<u>\$ 670,919</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2015:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 2,190,830	\$ 601,270	\$ 3,381	\$ 2,795,481
Accrued payroll and related liabilities	346,276	111,796	3,612	461,684
Total	<u>\$ 2,537,106</u>	<u>\$ 713,066</u>	<u>\$ 6,993</u>	<u>\$ 3,257,165</u>

These amounts resulted in the following concentrations in payables:

Vendors	86%
Employees	14%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 70,158	\$ -	\$ (12,824)	\$ 57,334	\$ 13,401
2015 Refunding of 2008 Lease Governmental share	-	1,002,050	-	1,002,050	51,800
2008 Municipal Lease - Governmental share	395,150	-	(395,150)	-	-
Total governmental debt	\$ 465,308	\$ 1,002,050	\$ (407,974)	\$ 1,059,384	\$ 65,201
Compensated absences	458,948	138	(61,362)	397,724	99,431
Net OPEB obligation	1,063,408	161,137	-	1,224,545	-
Total governmental activities	\$ 1,987,664	\$ 1,163,325	\$ (469,336)	\$ 2,681,653	\$ 164,632
Business-type activities					
2015 Refunding of 2008 Loan	-	1,307,000	-	1,307,000	143,000
2015 Refunding of 2008 Lease Water Enterprise Share	-	1,860,950	-	1,860,950	96,200
2008 Municipal Lease - Water Enterprise Share	733,850	-	(733,850)	-	-
2008 Municipal Loan	1,363,000	-	(1,363,000)	-	-
Total business-type activity debt	2,096,850	3,167,950	(2,096,850)	3,167,950	239,200
Compensated absences	177,035	1,239	(28,537)	149,737	37,434
Total business-type activities	\$ 2,273,885	\$ 3,169,189	\$ (2,125,387)	\$ 3,317,687	\$ 276,634
Fiduciary Activities:					
2015 Tax Allocation Refunding Bonds	\$ -	\$ 6,655,926	\$ -	\$ 6,655,926	\$ 511,952
1994 Loan from the Arcata Joint Powers Financing Authority	1,425,000	-	(1,425,000)	-	-
2003 Loan from the Arcata Joint Powers Financing Authority	8,625,000	-	(8,625,000)	-	-
Bond premiums	123,965	-	(123,965)	-	-
Total fiduciary activity debt	\$ 10,173,965	\$ 6,655,926	\$ (10,173,965)	\$ 6,655,926	\$ 511,952

Governmental Activities

Capital Lease Obligations

The City entered into lease/purchase agreements to purchase a mobile command vehicle, a sweeper and Con Vac truck. These lease obligations are payable through fiscal year 2015, at which time the buyout will be \$1. The lease obligations, proceeds, and the related assets were recorded in the internal service fund. The principal balance of these capital leases as of June 30, 2015, was \$57,334.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

7. LONG-TERM LIABILITIES, *continued*

2015 Refunding of 2008 Lease

On June 24, 2015, the City of Arcata obtained a \$1,050,000 loan to refund and defease the 2008 lease from Municipal Finance Corporation which was used to finance city hall and water system improvements. The loan is distributed among the general fund (35%) and the water enterprise fund (65%). The loan bears an interest of 4.15% per annum and are payable on January 1 and July 1 of each year the bonds are outstanding beginning July 1, 2015. Principal is repaid annually beginning January 1, 2025. The loan will mature on January 1, 2035.

2008 Municipal Lease

On April 22, 2008, the City entered into a lease agreement with Municipal Finance Corporation for a principal amount of \$1,894,000 for the purposes of refinancing the 1998 Refunding Certificates of Participation and to lease back the original leased property in the 1998 Refunding Certificates of Participation. The interest rate associated with the lease is 4.25% per annum. Interest is payable semiannually on July 1 and January 1. Principal is payable annually beginning on January 1, 2009. The lease payments end on January 1, 2021.

The lease is repayable in part by the City (35%) and in part by the City's water enterprise (65%). The City has a covenant to include all payments under the agreements, applicable to the City portion, in each of its annual budgets to make the necessary appropriations for such payments. The City prepaid the lease on June 24, 2015.

Business-type Activities

2015 Refunding of 2008 Loan

On June 24, 2015, the City obtained \$1,307,000 loan to defease the 2008 Municipal Loan. The loan bears an interest of 2.37% per annum and are payable on June 1 and December 1 of each year beginning December 1, 2015. Principal repayment is payable annually on December 1 beginning December 1, 2015. The loan will mature on December 1, 2022.

2008 Municipal Loan

On April 22, 2008, the City entered into a loan agreement with Municipal Finance Corporation for a principal amount of \$2,055,000 for the purpose of refinancing the 1997 Revenue Bonds. The interest rate associated with the loan is 4.30% per annum. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually beginning on December 1, 2008. The loan repayments end on December 1, 2022. The loan was fully repaid on June 24, 2015 from the 2015 private placement proceed.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

7. LONG-TERM LIABILITIES, *continued*

Fiduciary Activities

2015 Tax Allocation Bond

On January 28, 2015, the Community Development Agency of the City of Arcata issued the 2015 Tax Allocation Refunding Bonds in the amount of \$6,655,926. The proceeds of the Bonds was used to defease the 1994 and 2003 loans from the Arcata Joint Powers Financing Authority. The bonds bear an interest rate of 3.35% per annum. Interests and principal are payable annually on February 1 and August 1 beginning on August 1, 2015. The bonds will mature on August 1, 2031.

1994 Loan from the Arcata Joint Powers Financing Authority

On March 24, 1994, the City's Joint Powers Financing Authority issued \$7,620,000 of Tax Allocation Revenue Bonds, 1994 Series A, for the purpose of assisting the Agency in advance refunding and defeasing the Agency's 1988 Tax Allocation Bonds. The proceeds were loaned by the Authority pursuant to a loan agreement in which the Agency will repay the debt with tax increment revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements.

The 1994 Tax Allocation Bonds bear interest at rates of from 5.0 to 6.0 percent per annum, payable each February and August 1 through 2023. The bonds are subject to optional early redemption on or after August 1, 2004, from any available funds with premium as specified in the bond documents. On August 1, 2012, the City redeemed \$1,000,000 of the outstanding bonds, reducing the outstanding balance to \$1,600,000 and the maturity date by three years to August 1, 2020. On January 28, 2015, the loan was fully repaid from the 2015 Tax Allocation Refunding Bonds proceeds.

2003 Loan from the Arcata Joint Powers Financing Authority

On December 18, 2003, the City's Joint Powers Financing Authority issued \$9,865,000 of Tax Allocation Revenue Bonds, 2003 Series A, for the purpose of assisting the Agency in advance refunding and defeasing \$2,455,000 of the Agency's 1994 Tax Allocation Bonds and for the purpose of obtaining additional funding for projects. The proceeds were loaned by the Authority to the Agency pursuant to a loan agreement in which the Agency will repay the debt with tax increment revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements.

City of Arcata, California
Basic Financial Statements
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7. LONG-TERM LIABILITIES, *continued*

The 2003 Tax Allocation Bonds bear interest at rates of from 2.0 to 5.125 percent per annum, payable each February and August 1 through 2033. On August 1, 2014, the City redeemed \$1,000,000 of the outstanding bonds, reducing the outstanding balance to \$7,625,000 and the maturity date by two years to August 1, 2031. The bonds are subject to an additional optional early redemption on or after August 1, 2015, from any available funds with premium as specified in the bond documents. The bonds consisted of \$6,905,000 in term bonds and \$2,960,000 in serial bonds. The term bonds are subject to mandatory sinking fund early redemption starting in 2023. On January 28, 2015, the loan was fully repaid from the 2015 Tax Allocation Refunding Bonds proceeds.

Compensated Absences

The City records employee absences, such as vacation and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$547,461 at June 30, 2015, of that amount \$136,865 is expected to be paid within a year.

Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2015, the City had a Net OPEB Obligation of \$1,224,545. See Note 12 for further discussion on OPEB.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

7. LONG-TERM LIABILITIES, *continued*

Debt Service

Future debt service for Governmental Activities at June 30, 2015, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	Capital Lease Obligations		2015 Refunding of 2008 Lease Governmental Share		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 13,401	\$ 2,580	51,800	21,601	65,201	24,181
2017	14,005	1,977	33,950	39,435	47,955	41,412
2018	14,635	1,347	35,350	38,026	49,985	39,373
2019	15,293	688	36,750	36,560	52,043	37,248
2020	-	-	38,150	35,034	38,150	35,034
2021 - 2025	-	-	215,950	150,058	215,950	150,058
2026 - 2030	-	-	265,300	101,312	265,300	101,312
2031 - 2035	-	-	324,800	41,527	324,800	41,527
Total	\$ 57,334	\$ 6,592	\$ 1,002,050	\$ 463,553	\$ 1,059,384	\$ 470,145
Due within one year	\$ 13,401	\$ 2,580	\$ 51,800	\$ 21,601	\$ 65,201	\$ 24,181
Due after one year	43,933	4,012	950,250	441,952	994,183	445,964
Total	\$ 57,334	\$ 6,592	\$ 1,002,050	\$ 463,553	\$ 1,059,384	\$ 470,145

Future debt service for Business-type Activities at June 30, 2015, is as follows:

Year Ending June 30,	Business Type Activities					
	2015 Refunding of 2008 Lease Water Enterprise share		2015 Refunding of 2008 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 96,200	\$ 40,116	\$ 143,000	\$ 27,302	\$ 239,200	\$ 67,418
2017	63,050	73,237	155,000	25,750	218,050	98,987
2018	65,650	70,621	159,000	22,029	224,650	92,650
2019	68,250	67,896	162,000	18,225	230,250	86,121
2020	70,850	65,063.7	166,000	14,339	236,850	79,403
2021 - 2025	401,050	278,679	522,000	18,747	923,050	297,426
2026 - 2030	492,700	188,151	-	-	492,700	188,151
2031 - 2035	603,200	77,122	-	-	603,200	77,122
Total	\$ 1,860,950	\$ 860,885	\$ 1,307,000	\$ 126,392	\$ 3,167,950	\$ 987,277
Due within one year	\$ 96,200	\$ 40,116	\$ 143,000	\$ 27,302	\$ 239,200	\$ 67,418
Due after one year	1,764,750	820,769	1,164,000	99,090	2,928,750	919,859
Total	\$ 1,860,950	\$ 860,885	\$ 1,307,000	\$ 126,392	\$ 3,167,950	\$ 987,277

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7. LONG-TERM LIABILITIES, *continued*

Future debt service for all debt, except compensated absences and claims liabilities, of Fiduciary Activities at June 30, 2015, is as follows

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2016	\$ 511,952	\$ 219,205
2017	361,612	202,825
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021-2025	1,332,891	709,503
2026-2030	2,762,240	358,949
2031-2032	586,133	16,974
Total	<u>\$ 6,655,926</u>	<u>\$ 2,040,908</u>
Due within one year	\$ 511,952	\$ 219,205
Due after one year	6,143,974	1,821,703
Total	<u>\$ 6,655,926</u>	<u>\$ 2,040,908</u>

8. NET POSITION/ FUND BALANCES

Net position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 30,783,043	\$ 17,383,483	\$ 48,166,526
Restricted	2,475,312	-	2,475,312
Unrestricted	10,803,460	2,284,801	13,088,261
Total	<u>\$ 44,061,815</u>	<u>\$ 19,668,284</u>	<u>\$ 63,730,099</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

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8. NET POSITION/ FUND BALANCES, *continued*

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2015:

Nonspendable:	
Inventory	\$ 122,073
Total Nonspendable	<u>\$ 122,073</u>
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 1,620,637
Housing Revolving	173,220
Traffic Safety	57,106
Gas Tax	603,829
Federal Grants	20,520
Total Restricted	<u>\$ 2,475,312</u>

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

Nonspendable

- **Inventory** – represents nonspendable amounts classified as inventory.

Restricted

- **CDBG Housing and Housing Revolving** – represents amounts restricted for the City’s HOME revolving loan program and CDBG housing activities as these programs are supported by specific grants requiring the restriction.
- **Traffic Safety** – represents restricted revenue received for the City’s programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention as provided by Office of Traffic Safety grant provisions.
- **Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code.
- **Federal Grants** – represents restricted amounts received from Federal Grants for various city programs.

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8. NET POSITION/ FUND BALANCES, *continued*

Fund Balance Deficits

Deficit fund balances consisted of the following:

	As of
	June 30, 2015
Major Funds	
STIP	\$ 833,169
Housing Successor	2,550,225
Total Major Funds	<u>3,383,394</u>
Nonmajor Special Revenue Funds:	
STIP	833,169
Federal Grant Funds:	
HUD Block Grant	24,999
ISTEA	21,256
HOME Grants	22,092
Total Nonmajor Funds	<u>68,347</u>
Total Fund Balance Deficits	<u><u>\$ 3,451,741</u></u>

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2015, for the following funds:

<u>Fund</u>	<u>Final</u> <u>Appropriations</u>	<u>Expenditures and</u> <u>Transfers</u>	<u>Excess</u>
<u>Major Funds</u>			
<u>Special Revenue Funds</u>			
Housing Successor	\$ 858,213	\$ 3,179,825	\$ (2,321,612)

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9. INTERFUND TRANSACTIONS

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

Due to and due from other funds consisted of the following as of June 30, 2015:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 8,484	\$ -
CDBG Housing Revolving Loan	10,668	-
Housing Revolving	<u>22,092</u>	<u>-</u>
Total Major Funds	<u>41,244</u>	<u>-</u>
Nonmajor Funds:		
STIP	-	437,647
TeaRSTA	-	1,920
HUD Block Grant	-	19,152
State Gas Tax 2017	439,567	-
HOME Grants	-	22,092
Total Nonmajor Funds	<u>439,567</u>	<u>480,811</u>
Total Governmental Funds	<u>480,811</u>	<u>480,811</u>
Total Transfers	<u>\$ 480,811</u>	<u>\$ 480,811</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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9. INTERFUND TRANSACTIONS, *continued*

Transfers consisted of the following at June 30, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 57,633	\$ 108,000
Total Major Funds	<u>57,633</u>	<u>108,000</u>
Nonmajor Funds:		
Special Revenue Funds		
Traffic Safety	101,768	-
Industrial Park	-	1,000
Gas Tax 2015	-	9,117
Gas Tax 2106	-	7,014
Gas Tax 2107 and 2107.5	462,202	-
ISTEA	-	140,000
Janes Creek Meadows	-	15,000
Windsong	-	15,000
Capital Projects Fund		
City Capital Projects Fund	-	111,000
Total Nonmajor Funds	<u>563,970</u>	<u>298,131</u>
Total Governmental Funds	<u>621,603</u>	<u>406,131</u>
<u>Proprietary Funds</u>		
Water	-	55,000
Wastewater	-	55,000
Transit	-	351,000
Solid waste	-	30,000
Stormwater	275,528	-
Total Proprietary Funds	<u>275,528</u>	<u>491,000</u>
Total	<u>\$ 897,131</u>	<u>\$ 897,131</u>

The transfers out from the enterprise funds were primarily incurred to support street maintenance activities due to wear and tear on streets due to utility infrastructure maintenance and repairs, and from heavy trucks and buses.

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10. RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen member cities (seven voting and eight associate members) and three non-member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2014, the most recent period available:

Total assets	\$ 18,191,772
Total liabilities	<u>(15,648,280)</u>
Members' equity	<u>\$ 2,543,492</u>
Total revenue	\$ 8,797,431
Total expense	<u>(9,480,853)</u>
Operating income (loss)	<u>\$ (683,422)</u>

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially, each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

City of Arcata, California
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10. RISK MANAGEMENT, *Continued*

The City of Arcata participates in the following REMIF programs:

General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Arcata self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$4,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Arcata is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Arcata has a deductible level of \$10,000 and a coverage limit of \$290,000,000 declared value.

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. 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.

City of Arcata, California
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	Miscellaneous Second Tier
	Prior to January 1, 2013	Prior to January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63
Monthly benefits, as a % of eligible compensation	2% - 7%	1.4% - 2.4%
Required employee contribution rates	8%	7%
Required employer contribution rates	10.958%	8.003%
	PEPRA Miscellaneous	Safety Plan
	On or after January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 62	3% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	52 - 67	50
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	3%
Required employee contribution rates	6.25%	9.0%
Required employer contribution rates	2.37%	18.524%
	Safety Second Tier	PEPRA Safety Police
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	15.627%	11.153%

City of Arcata, California
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous Plan	Safety Plan	Safety Second Tier Plan	PEPRA Safety Police Plan
Contributions - employer	\$ 1,013,511	\$ 31,225	\$ 35,197	\$ 569,723	\$ 37,501	\$ 19,840
Contributions - employee (paid employer)	\$ 345,688	\$ 19,136	\$ 35,197	\$ 139,570	\$ 15,364	\$ 20,140

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 9,949,800
Miscellaneous Second Tier	3,950
PEPRA Miscellaneous	51
Safety	5,427,839
Safety Second Tier	3,923
PEPRA Safety Police	73
Total Net Pension Liability	<u>\$ 15,385,636</u>

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 each of the Plans is measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 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.

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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safety	Safety Second Tier	PEPRA Safety Police
Proportion - June 30, 2013	N/A	N/A	N/A	N/A	N/A	N/A
Proportion - June 30, 2014	0.15990%	0.00006%	0.00000%	0.08723%	0.00006%	0.00000%
Change - Increase (Decrease)	N/A	N/A	N/A	N/A	N/A	N/A

For the year ended June 30, 2015, the City recognized pension expense of \$1,420,305. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	\$ 1,706,997	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of the contributions	12,163	-
Net differences between projected and actual earnings on plan investments	-	3,586,772
Total	<u>\$ 1,719,160</u>	<u>\$ 3,586,772</u>

\$1,706,997 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun	
2016	\$ 805,235
2017	(901,762)
2018	(896,352)
2019	(874,733)
2020	-
Thereafter	-

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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Actuarial Assumptions -The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safety	Safety Second Tier	PEPRA Safety Police
Valuation Date	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
Measurement	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14
Actuarial Cost Method	Entry-Age Normal Cost Method					
Actuarial Assumptions:						
Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)

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

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate -The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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 percent 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 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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.

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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

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

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

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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *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, 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 I-percentage point lower or I-percentage point higher than the current rate:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safety	Safety Second Tier	PEPRA Safety Police
1% Decrease	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 15,706,595	\$ 7,038	\$ 90	\$ 8,485,864	\$ 6,751	\$ 126
Current Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 9,949,800	\$ 3,950	\$ 51	\$ 5,427,839	\$ 3,923	\$ 73
1% Increase	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 5,172,207	\$ 1,388	\$ 18	\$ 2,908,158	\$ 1,593	\$ 30

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

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides certain health insurance benefits to retired employees in accordance with memorandums of understanding with each employee group as follows:

For employees who retire from the City of Arcata after at least ten (10) years of service with the City and who continue health insurance through a City-sponsored health insurance plan, the City will contribute two percent (2%) of the health insurance premium for each year of service, as an employee with the City, rounded to the nearest whole year. For employees with at least twenty (20) years of service for the City who qualify for this benefit, the rate of the City's contribution will be three percent (3%) of the health insurance premium. Such contributions will not continue past Medicare eligibility.

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2014-15, the City contributed \$297,928 which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 15 retirees who are receiving benefits.

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12. OTHER POST EMPLOYMENT BENEFITS, *continud*

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 443,893
Interest on net OPEB obligation	50,512
Adjustment to annual required contribution	<u>(35,447)</u>
Annual OPEB cost / expense	458,958
Contributions made	<u>(297,821)</u>
Increase in net OPEB obligation	161,137
Net OPEB obligation - beginning of year	<u>1,063,408</u>
Net OPEB obligation - end of year	<u><u>\$ 1,224,545</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	315,067	46%	881,299
6/30/2014	423,764	57%	1,063,408
6/30/2015	443,893	67%	1,224,545

Funded Status and Funding Progress.

The funded status of the Plan as of February 1, 2014, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 3,156,235
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 3,156,235
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan participants)	\$ 8,235,524
UAAL as a percentage of covered payroll	38%

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For the year ended June 30, 2015

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the February 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 2.75 percent, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at February 1, 2014 was thirty years.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Arcata that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2015, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 112-10.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

After enactment of the law on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

Trust Activities:	Balance			Balance June 30, 2015	Due Within One Year
	July 1, 2014	Additions	Retirements		
1994 Loan from the Arcata Joint Powers Financing Authority	\$ 1,425,000	\$ -	\$ (1,425,000)	\$ -	\$ -
2003 Loan from the Arcata Joint Powers Financing Authority	7,625,000	-	(7,625,000)	-	-
Bond premiums	123,965	-	(123,965)	-	-
2015 Tax Allocation Refunding Bonds	-	6,655,926	-	6,655,926	511,952
Total trust fund debt	\$ 9,173,965	\$ 6,655,926	\$ (9,173,965)	\$ 6,655,926	\$ 511,952

1994 Loan from the Arcata Joint Powers Financing Authority

On March 24, 1994, the City's Joint Powers Financing Authority issued \$7,620,000 of Tax Allocation Revenue Bonds, 1994 Series A, for the purpose of assisting the Agency in advance refunding and defeasing the Agency's 1988 Tax Allocation Bonds. The proceeds were loaned by the Authority pursuant to a loan agreement in which the Agency will repay the debt with tax increment revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements.

The 1994 Tax Allocation Bonds bear interest at rates of from 5.0 to 6.0 percent per annum, payable each February and August 1 through 2023. The bonds are subject to optional early redemption on or after August 1, 2004, from any available funds with premium as specified in the bond documents. The Bonds were fully repaid on January 28, 2015 when the Agency issued a 2015 Tax Allocation Refunding Bonds.

2003 Loan from the Arcata Joint Powers Financing Authority

On December 18, 2003, the City's Joint Powers Financing Authority issued \$9,865,000 of Tax Allocation Revenue Bonds, 2003 Series A, for the purpose of assisting the Agency in advance refunding and defeasing \$2,455,000 of the Agency's 1994 Tax Allocation Bonds and for the purpose of obtaining additional funding for projects. The proceeds were loaned by the Authority to the Agency pursuant to a loan agreement in which the Agency will repay the debt with tax increment revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Long-term Liabilities, continued

The 2003 Tax Allocation Bonds bear interest rates ranging from 2.0 to 5.125 percent per annum, payable each February and August 1 through 2033. The bonds are subject to optional early redemption on or after August 1, 2015, from any available funds with premium as specified in the bond documents. The bonds consisted of \$6,905,000 in term bonds and \$2,960,000 in serial bonds. The term bonds are subject to mandatory sinking fund early redemption starting in 2023. The Bonds were fully repaid on January 28, 2015 when the Agency issued a 2015 Tax Allocation Refunding Bonds.

2015 Tax Allocation Refunding Bonds

On January 28, 2015, the Community Development Agency issued \$6,655,926 of Tax Allocation Refunding Bonds for the purpose of defeasing 1994 and 2003 Loans from the Arcata Joint Powers Financing Authority.

The 2015 Tax Allocation Refunding Bonds bear interest rates of 3.35 percent per annum. Principal and interest are payable on each August 1 and February 1, on and after August 1, 2015 through August 1, 2031. The bonds are subject to optional early redemption on or after February 1, 2015, from any available funds with premium as specified in the bond documents.

Future debt service for Fiduciary Activities at June 30, 2015, is as follows

Year Ending June 30,	Fiduciary Activities	
	2015 Tax Allocation Refunding Bonds	
	Principal	Interest
2016	\$ 511,952	\$ 219,205
2017	361,612	202,825
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021-2025	1,332,891	709,503
2026-2030	2,762,240	358,949
2031-2032	586,133	16,974
Total	\$ 6,655,926	\$ 2,040,908
Due within one year	\$ 511,952	\$ 219,205
Due after one year	6,143,974	1,821,703
Total	\$ 6,655,926	\$ 2,040,908

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

14. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2015.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

The GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, "Financial Reporting for Pension Plans", and Statement 68 for pension plans and pensions that are within their respective scopes.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

The GASB has issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", for OPEB. Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", establishes new accounting and financial reporting requirements for OPEB plans. Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2015

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

The GASB has issued Statement No. 77, “Tax Abatement Disclosures”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

REQUIRED SUPPLEMENTARY INFORMATION



City of Arcata, California

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

For the year ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2/1/2008	\$ -	\$ 2,293,829	\$2,293,829	0.0%	\$ 5,391,561	42.5%
2/1/2011	\$ -	\$ 2,483,585	\$2,483,585	0.0%	\$ 6,764,536	36.7%
2/1/2014	\$ -	\$ 3,156,235	\$3,156,235	0.0%	\$ 8,235,524	38.3%

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 1,131,712
Contributions in relation to the actuarially determined contributions	<u>(1,131,712)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 5,065,089
Contribution as a percentage of covered-employee payroll	22.34%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Second Tier Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 28,452
Contributions in relation to the actuarially determined contributions	<u>(28,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 263,255
Contribution as a percentage of covered-employee payroll	10.81%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

PEPRA Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 17,406
Contributions in relation to the actuarially determined contributions	<u>17,406</u>
Contribution deficiency (excess)	<u>\$ 34,812</u>
Covered-employee payroll	\$ 38,152
Contribution as a percentage of covered-employee payroll	45.62%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 553,708
Contributions in relation to the actuarially determined contributions	<u>(553,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,627,185
Contribution as a percentage of covered-employee payroll	34.03%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Second Tier Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 34,223
Contributions in relation to the actuarially determined contributions	<u>(34,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 164,511
Contribution as a percentage of covered-employee payroll	20.80%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

PEPRA Safety Police Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 15,883
Contributions in relation to the actuarially determined contributions	<u>(15,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 48,950
Contribution as a percentage of covered-employee payroll	32.45%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.15990%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 9,949,800
Plan's Covered-Employee Payroll	\$ 5,065,089
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	196.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.07%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 904,392

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Miscellaneous Second Tier Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00006%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,950
Plan's Covered-Employee Payroll	\$ 263,255
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	1.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 523

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

PEPRA Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 51
Plan's Covered-Employee Payroll	\$ 38,152
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	82.83%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 7

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.08723%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 5,427,839
Plan's Covered-Employee Payroll	\$ 1,627,185
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	333.57%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.22%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 492,676

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety Second Tier Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00006%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,923
Plan's Covered-Employee Payroll	\$ 164,511
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	2.38%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 487

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

PEPRA Safety Police Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 73
Plan's Covered-Employee Payroll	\$ 48,950
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.15%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.47%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 9

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account for restricted revenues (for specified purposes).
City Capital Projects Fund	This fund accounts for construction or acquisition of governmental capital assets (capital outlay).

City of Arcata, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
ASSETS			
Cash and investments	\$ 1,231,895	\$ 252,316	\$ 1,484,211
Restricted cash and investments	-	-	-
Receivables:			
Intergovernmental	476,397	-	476,397
Loans/Notes receivable	-	-	-
Inventory	118,258	-	118,258
Total assets	\$ 2,272,202	\$ 252,316	\$ 2,524,518
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 475,493	\$ -	\$ 475,493
Due to other funds	43,164	-	43,164
Deposits Payable	20,306	-	20,306
Deferred revenue	-	-	-
Compensated absences	-	-	-
Due to fiduciary activities	-	-	-
Total liabilities:	538,963	-	538,963
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Total liabilities and deferred inflows	538,963	-	538,963
Fund Balances:			
Nonspendable	118,258	-	118,258
Restricted	681,455	-	681,455
Assigned	1,001,873	252,316	1,254,189
Unassigned (deficit)	(68,347)	-	(68,347)
Total fund balances	1,733,239	252,316	1,985,555
Total liabilities, deferred inflows and fund balances	\$ 2,272,202	\$ 252,316	\$ 2,524,518

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2015

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund	
REVENUES:			
Taxes and assessments	\$ 31,008	\$ -	\$ 31,008
Licenses and permits	7,776	-	7,776
Fines and forfeitures	84,459	-	84,459
Intergovernmental	1,054,244	-	1,054,244
Use of money and property	194,522	2,270	196,792
Reimbursements	31,215	-	31,215
Other revenues	389,854	4,139	393,993
Total revenues	1,793,078	6,409	1,799,487
EXPENDITURES:			
Current:			
Public safety	307,875	-	307,875
Public works	741,365	-	741,365
Community development	156,210	-	156,210
Parks and recreation	290,822	-	290,822
Capital outlay	924,523	-	924,523
Total expenditures	2,420,795	-	2,420,795
REVENUES OVER (UNDER) EXPENDITURES	(627,717)	6,409	(621,308)
OTHER FINANCING SOURCES (USES):			
Proceeds from the sale of capital assets	-	-	-
Transfer to fiduciary activities	(4,142,302)	-	(4,142,302)
Transfers in	563,970	-	563,970
Transfers out	(187,131)	(111,000)	(298,131)
Total other financing sources (uses)	(3,765,463)	(111,000)	(3,876,463)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(4,393,180)	(104,591)	(4,497,771)
FUND BALANCES:			
Beginning of year	6,126,419	356,907	6,483,326
End of year	\$ 1,733,239	\$ 252,316	\$ 1,985,555

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Forest Management	Accounts for funds received and expended for the City's forest management programs.
Traffic Safety	Accounts for revenue received for the City's programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention.
Industrial Park	Accounts for revenues received for the maintenance and rehabilitation of the industrial park.
Housing Improvement Projects	Accounts for funds transferred to the City from the former Arcata Community Development Agency for housing improvement projects.
Public Improvement Program	Accounts for funds transferred to the City from the former Arcata Community Development Agency for public improvement projects.
Gas Tax Funds:	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.
2105	
2106	
2107 & 2107.5	
Federal Grant Funds:	
HUD Block Grant	Accounts for activities related to housing and the related Community Development Block Grant funding.
ISTEA	Accounts for activities related to streets and the related Intermodal Surface Transportation Efficiency Act funding.
FEMA/OES	Accounts for revenues and expenditures associated with grants provided from the Federal Emergency Management Agency and Office of Emergency Services.

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Fund	Description
COPS	Accounts for revenues and expenditures associated with community policing grants.
HOME Grants	Accounts for activities related to housing and the related Home Program funding.
In Lieu Fee Funds:	
Parkland	Accounts for revenues and expenditures associated with the parkland maintenance.
Parking	Accounts for revenues and expenditures associated with downtown parking programs.
Assessment Districts:	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Curtis Heights	
Janes Creek Meadows	
Windsong	

(concluded)

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City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Forest Management	Traffic Safety	Industrial Park
ASSETS			
Cash and investments	\$ 271,618	\$ 48,214	\$ 244,818
Receivables:			
Intergovernmental	-	16,466	-
Loans/Notes receivable	-	-	-
Other receivable	6,085	-	-
Due from other funds	-	-	-
Inventory	-	116,632	-
Advances to other funds	-	-	-
Total assets	\$ 277,703	\$ 181,312	\$ 244,818
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,615	\$ 7,574	\$ 7,757
Due to other funds	-	-	-
Deposits payable	-	-	20,306
Due to fiduciary activities	-	-	-
Total liabilities:	5,615	7,574	28,063
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources:	-	-	-
Total liabilities and deferred inflows	5,615	7,574	28,063
Fund Balances:			
Nonspendable	-	116,632	-
Restricted	-	57,106	-
Assigned	272,088	-	216,755
Unassigned (deficit)	-	-	-
Total fund balances	272,088	173,738	216,755
Total liabilities deferred inflows and fund balances	\$ 277,703	\$ 181,312	\$ 244,818

Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ 153,722	\$ 1,927	\$ 495,996	\$ 15,600	\$ 1,231,895
-	-	50,158	408,339	-	1,434	476,397
-	-	-	-	-	-	-
-	-	-	-	-	-	6,085
-	-	439,567	-	-	-	439,567
-	-	1,626	-	-	-	118,258
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,073</u>	<u>\$ 410,266</u>	<u>\$ 495,996</u>	<u>\$ 17,034</u>	<u>\$ 2,272,202</u>

\$ -	\$ -	\$ 39,618	\$ 414,929	\$ -	\$ -	\$ 475,493
-	-	-	43,164	-	-	43,164
-	-	-	-	-	-	20,306
-	-	-	-	-	-	-
-	-	39,618	458,093	-	-	538,963
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	39,618	458,093	-	-	538,963
-	-	1,626	-	-	-	118,258
-	-	603,829	20,520	-	-	681,455
-	-	-	-	495,996	17,034	1,001,873
-	-	-	(68,347)	-	-	(68,347)
-	-	605,455	(47,827)	495,996	17,034	1,733,239
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,073</u>	<u>\$ 410,266</u>	<u>\$ 495,996</u>	<u>\$ 17,034</u>	<u>\$ 2,272,202</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2015

	Forest Management	Traffic Safety	Industrial Park
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	84,459	-
Intergovernmental	-	-	-
Use of money and property	2,472	296	184,340
Reimbursements	-	-	-
Other revenues	383,531	-	25
Total revenues	<u>386,003</u>	<u>84,755</u>	<u>184,365</u>
EXPENDITURES:			
Current:			
Public safety	-	206,796	-
Public works	-	-	-
Community development	-	-	139,517
Parks and recreation	290,822	-	-
Capital outlay	19,999	-	10,603
Total expenditures	<u>310,821</u>	<u>206,796</u>	<u>150,120</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>75,182</u>	<u>(122,041)</u>	<u>34,245</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from the sale of capital assets	-	-	-
Transfer to fiduciary activities	-	-	-
Transfers in	-	101,768	-
Transfers out	-	-	(1,000)
Total other financing sources and uses	-	101,768	(1,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	75,182	(20,273)	33,245
FUND BALANCES (DEFICITS):			
Beginning of year	196,906	194,011	183,510
End of year	<u>\$ 272,088</u>	<u>\$ 173,738</u>	<u>\$ 216,755</u>

Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,008	\$ 31,008
-	-	-	-	7,776	-	7,776
-	-	-	-	-	-	84,459
-	-	517,110	537,134	-	-	1,054,244
-	-	1,722	1,859	3,688	145	194,522
-	-	31,215	-	-	-	31,215
-	-	6,298	-	-	-	389,854
-	-	556,345	538,993	11,464	31,153	1,793,078
-	-	-	101,079	-	-	307,875
-	-	741,365	-	-	-	741,365
-	-	-	16,693	-	-	156,210
-	-	-	-	-	-	290,822
-	-	138,311	755,610	-	-	924,523
-	-	879,676	873,382	-	-	2,420,795
-	-	(323,331)	(334,389)	11,464	31,153	(627,717)
(1,215,768)	(2,926,534)	-	-	-	-	-
-	-	462,202	-	-	-	563,970
-	-	(16,131)	(140,000)	-	(30,000)	(187,131)
(1,215,768)	(2,926,534)	446,071	(140,000)	-	(30,000)	(3,765,463)
(1,215,768)	(2,926,534)	122,740	(474,389)	11,464	1,153	(4,393,180)
1,215,768	2,926,534	482,715	426,562	484,532	15,881	6,126,419
\$ -	\$ -	\$ 605,455	\$ (47,827)	\$ 495,996	\$ 17,034	\$ 1,733,239

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Forest Management Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 600	\$ 600	\$ 2,472	\$ 1,872
Other revenues	345,000	360,685	383,531	22,846
Total revenues	345,600	361,285	386,003	24,718
EXPENDITURES:				
Current:				
Parks and recreation	281,920	311,402	290,822	20,580
Capital outlay	19,000	23,700	19,999	3,701
Total expenditures	300,920	335,102	310,821	24,281
REVENUES OVER (UNDER) EXPENDITURES	44,680	26,183	75,182	48,999
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	44,680	26,183	75,182	48,999
FUND BALANCES (DEFICIT):				
Beginning of year	196,906	196,906	196,906	-
End of year	\$ 241,586	\$ 223,089	\$ 272,088	\$ 48,999

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Traffic Safety Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 84,459	\$ (5,541)
Use of money and property	1,000	1,000	296	(704)
Total revenues	<u>91,000</u>	<u>91,000</u>	<u>84,755</u>	<u>(6,245)</u>
EXPENDITURES:				
Current:				
Public safety	217,768	\$ 220,268	206,796	13,472
Total expenditures	<u>217,768</u>	<u>220,268</u>	<u>206,796</u>	<u>13,472</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(126,768)</u>	<u>(129,268)</u>	<u>(122,041)</u>	<u>7,227</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	101,768	101,768	101,768	-
Total other financing sources (uses)	<u>101,768</u>	<u>101,768</u>	<u>101,768</u>	<u>-</u>
Net change in fund balances	<u>(25,000)</u>	<u>(27,500)</u>	<u>(20,273)</u>	<u>7,227</u>
FUND BALANCES:				
Beginning of year	194,011	194,011	194,011	-
End of year	<u>\$ 169,011</u>	<u>\$ 166,511</u>	<u>\$ 173,738</u>	<u>\$ 7,227</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Industrial Park Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 185,250	\$ 185,250	\$ 184,340	\$ (910)
Other revenues	-	-	25	25
Total revenues	185,250	185,250	184,365	(885)
EXPENDITURES:				
Current:				
Community development	169,544	169,544	139,517	30,027
Capital outlay	20,000	27,456	10,603	16,853
Total expenditures	189,544	197,000	150,120	46,880
REVENUES OVER (UNDER)				
EXPENDITURES	(4,294)	(11,750)	34,245	45,995
OTHER FINANCING SOURCES (USES):				
Transfers in	1,000	1,000	(1,000)	(2,000)
Total other financing sources (uses)	1,000	1,000	(1,000)	(2,000)
Net change in fund balances	(3,294)	(10,750)	33,245	43,995
FUND BALANCES (DEFICIT):				
Beginning of year	183,510	183,510	183,510	-
End of year	\$ 180,216	\$ 172,760	\$ 216,755	\$ 43,995

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Housing Improvement Projects Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	(1,215,768)	(1,215,768)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,215,768)</u>	<u>(1,215,768)</u>
Net change in fund balances	<u>1,000</u>	<u>1,000</u>	<u>(1,215,768)</u>	<u>(1,216,768)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	1,215,768	1,215,768	1,215,768	-
End of year	<u>\$ 1,216,768</u>	<u>\$ 1,216,768</u>	<u>\$ -</u>	<u>\$ (1,216,768)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Public Improvement Program Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Total revenues	25,000	25,000	-	(25,000)
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	25,000	25,000	-	(25,000)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(2,926,534)	(2,926,534)
Total other financing sources (uses)	-	-	(2,926,534)	(2,926,534)
Net change in fund balances	25,000	25,000	(2,926,534)	(2,951,534)
FUND BALANCES (DEFICIT):				
Beginning of year	2,926,534	2,926,534	2,926,534	-
End of year	<u>\$ 2,951,534</u>	<u>\$ 2,951,534</u>	<u>\$ -</u>	<u>\$ (2,951,534)</u>

City of Arcata, California
Combining Balance Sheet
Gas Tax Special Revenue Funds
June 30, 2015

	2105	2106	2107 & 2107.5	Totals
ASSETS				
Cash and investments	\$ -	\$ -	\$ 153,722	\$ 153,722
Receivables:				
Intergovernmental	-	-	50,158	50,158
Due from other funds	-	-	439,567	439,567
Inventory	-	-	1,626	1,626
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,073</u>	<u>\$ 645,073</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 39,618	\$ 39,618
Deposits payable	-	-	0	-
Total liabilities	<u>-</u>	<u>-</u>	<u>39,618</u>	<u>39,618</u>
Fund Balances:				
Nonspendable	-	-	1,626	1,626
Restricted	-	-	603,829	603,829
Total fund balances	<u>-</u>	<u>-</u>	<u>605,455</u>	<u>605,455</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,073</u>	<u>\$ 645,073</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Gas Tax Special Revenue Funds
For the year ended June 30, 2015

	2105	2106	2107 & 2107.5	Totals
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 517,110	\$ 517,110
Use of money and property	-	-	1,722	1,722
Charges for services	-	-	-	-
Reimbursements	-	-	31,215	31,215
Other revenues	-	-	6,298	6,298
Total revenues	-	-	556,345	556,345
EXPENDITURES:				
Current:				
Public works	-	-	741,365	741,365
Capital outlay	-	-	138,311	138,311
Total expenditures	-	-	879,676	879,676
REVENUES OVER (UNDER) EXPENDITURES	-	-	(323,331)	(323,331)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	462,202	462,202
Transfers out	(9,117)	(7,014)	-	(16,131)
Total other financing sources and uses	(9,117)	(7,014)	462,202	446,071
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(9,117)	(7,014)	138,871	122,740
FUND BALANCES:				
Beginning of year	9,117	7,014	466,584	482,715
End of year	\$ -	\$ -	\$ 605,455	\$ 605,455

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2105 Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 85,300	\$ 85,300	\$ -	\$ (85,300)
Total revenues	<u>85,300</u>	<u>85,300</u>	<u>-</u>	<u>(85,300)</u>
EXPENDITURES:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>85,300</u>	<u>85,300</u>	<u>-</u>	<u>(85,300)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	85,300	85,300	(9,117)	(94,417)
Total other financing sources (uses)	<u>85,300</u>	<u>85,300</u>	<u>(9,117)</u>	<u>(94,417)</u>
Net change in fund balances	170,600	170,600	(9,117)	(179,717)
FUND BALANCES:				
Beginning of year	9,117	9,117	9,117	-
End of year	<u>\$ 179,717</u>	<u>\$ 179,717</u>	<u>\$ -</u>	<u>\$ (179,717)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2106 Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 71,200	\$ 71,200	\$ -	\$ (71,200)
Total revenues	<u>71,200</u>	<u>71,200</u>	<u>-</u>	<u>(71,200)</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>71,200</u>	<u>71,200</u>	<u>-</u>	<u>(71,200)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(71,200)	(71,200)	(7,014)	64,186
Total other financing sources (uses)	<u>(71,200)</u>	<u>(71,200)</u>	<u>(7,014)</u>	<u>64,186</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(7,014)</u>	<u>(7,014)</u>
FUND BALANCES:				
Beginning of year	7,014	7,014	7,014	-
End of year	<u>\$ 7,014</u>	<u>\$ 7,014</u>	<u>\$ -</u>	<u>\$ (7,014)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2107 & 2107.5 Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 294,400	\$ 294,400	\$ 517,110	\$ 222,710
Use of money and property	2,500	2,500	1,722	(778)
Reimbursements	12,000	39,150	31,215	(7,935)
Other revenues	-	-	6,298	6,298
Total revenues	308,900	336,050	556,345	220,295
EXPENDITURES:				
Current:				
Public works	811,471	813,254	741,365	71,889
Capital outlay	200,000	324,471	138,311	186,160
Total expenditures	1,011,471	1,137,725	879,676	258,049
REVENUES OVER (UNDER) EXPENDITURES	(702,571)	(801,675)	(323,331)	478,344
OTHER FINANCING SOURCES (USES):				
Transfers in	610,571	610,571	462,202	(148,369)
Transfers out	-	-	-	-
Total other financing sources (uses)	610,571	610,571	462,202	(148,369)
Net change in fund balances	(92,000)	(191,104)	138,871	329,975
FUND BALANCES:				
Beginning of year	466,584	466,584	466,584	-
End of year	\$ 374,584	\$ 275,480	\$ 605,455	\$ 329,975

City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2015

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,927
Receivables:				
Intergovernmental	-	389,746	-	18,593
Total assets	<u>\$ -</u>	<u>\$ 389,746</u>	<u>\$ -</u>	<u>\$ 20,520</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,847	\$ 409,082	\$ -	\$ -
Due to other funds	19,152	1,920	-	-
Total liabilities	<u>24,999</u>	<u>411,002</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-		-	20,520
Unassigned (deficit)	(24,999)	(21,256)	-	-
Total fund balances	<u>(24,999)</u>	<u>(21,256)</u>	<u>-</u>	<u>20,520</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 389,746</u>	<u>\$ -</u>	<u>\$ 20,520</u>

HOME Grants	Totals
\$ -	\$ 1,927
-	408,339
<u>\$ -</u>	<u>\$ 410,266</u>

\$ -	\$ 414,929
22,092	43,164
<u>22,092</u>	<u>458,093</u>
-	20,520
<u>(22,092)</u>	<u>(68,347)</u>
<u>(22,092)</u>	<u>(47,827)</u>
<u>\$ -</u>	<u>\$ 410,266</u>

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Federal Grant Special Revenue Funds

For the year ended June 30, 2015

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ -	\$ 436,793	\$ -	\$ 100,341
Use of money and property	-	1,954	-	(95)
Total revenues	-	438,747	-	100,246
EXPENDITURES:				
Current:				
Public safety	-	-	-	101,079
Public works	-	-	-	-
Community development	16,515	-	-	-
Capital outlay	-	755,610	-	-
Total expenditures	16,515	755,610	-	101,079
REVENUES OVER (UNDER) EXPENDITURES	(16,515)	(316,863)	-	(833)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(140,000)	-	-
Total other financing sources and uses	-	(140,000)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(16,515)	(456,863)	-	(833)
FUND BALANCES (DEFICIT):				
Beginning of year	(8,484)	435,607	0	21,353
End of year	\$ (24,999)	\$ (21,256)	\$ -	\$ 20,520

HOME Grants	Totals
\$ -	\$ 537,134
-	1,859
-	538,993
-	101,079
-	-
178	16,693
-	755,610
178	873,382
(178)	(334,389)
-	(140,000)
-	(140,000)
(178)	(474,389)
(21,914)	426,562
\$ (22,092)	\$ (47,827)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HUD Block Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
EXPENDITURES:				
Current:				
Community development	250,000	250,000	16,515	233,485
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>16,515</u>	<u>233,485</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(16,515)</u>	<u>(16,515)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(16,515)</u>	<u>(16,515)</u>
FUND BALANCES:				
Beginning of year	(8,484)	(8,484)	(8,484)	-
End of year	<u>\$ (8,484)</u>	<u>\$ (8,484)</u>	<u>\$ (24,999)</u>	<u>\$ (16,515)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

ISTEA Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 95,000	\$ 1,077,000	\$ 436,793	\$ (640,207)
Use of money and property	4,000	4,000	1,954	(2,046)
Total revenues	99,000	1,081,000	438,747	(642,253)
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	952,000	755,610	196,390
Total expenditures	-	952,000	755,610	196,390
REVENUES OVER (UNDER)				
EXPENDITURES	99,000	129,000	(316,863)	(445,863)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	140,000	140,000	-	(140,000)
Transfers out	-	-	(140,000)	(140,000)
Total other financing sources (uses)	140,000	140,000	(140,000)	(280,000)
Net change in fund balances	239,000	269,000	(456,863)	(725,863)
FUND BALANCES:				
Beginning of year	-	-	435,607	435,607
End of year	\$ 239,000	\$ 269,000	\$ (21,256)	\$ (290,256)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

FEMA/OES Grants - Federal Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	-	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

COPS Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,341	\$ 341
Use of money and property	600	600	(95)	(695)
Total revenues	100,600	100,600	100,246	(354)
EXPENDITURES:				
Current:				
Public safety	103,166	103,166	101,079	2,087
Total expenditures	103,166	103,166	101,079	2,087
REVENUES OVER (UNDER)				
EXPENDITURES	(2,566)	(2,566)	(833)	1,733
Net change in fund balances	(2,566)	(2,566)	(833)	1,733
FUND BALANCES:				
Beginning of year	21,353	21,353	21,353	-
End of year	\$ 18,787	\$ 18,787	\$ 20,520	\$ 1,733

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HOME Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 475,000	\$ 475,000	\$ -	\$ (475,000)
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>-</u>	<u>(475,000)</u>
EXPENDITURES:				
Current:				
Community development	<u>475,000</u>	<u>475,000</u>	<u>178</u>	<u>474,822</u>
Total expenditures	<u>475,000</u>	<u>475,000</u>	<u>178</u>	<u>474,822</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>(178)</u>
FUND BALANCES:				
Beginning of year	<u>(21,914)</u>	<u>(21,914)</u>	<u>(21,914)</u>	<u>-</u>
End of year	<u>\$ (21,914)</u>	<u>\$ (21,914)</u>	<u>\$ (22,092)</u>	<u>\$ (178)</u>

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City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2015

ASSETS	<u>Parkland In Lieu</u>	<u>Parking In Lieu</u>	<u>Totals</u>
Cash and investments	\$ 227,935	\$ 268,061	\$ 495,996
Total assets	<u>\$ 227,935</u>	<u>\$ 268,061</u>	<u>\$ 495,996</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Compensated absences	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Assigned	<u>227,935</u>	<u>268,061</u>	<u>495,996</u>
Total fund balances	<u>227,935</u>	<u>268,061</u>	<u>495,996</u>
Total liabilities and fund balances	<u>\$ 227,935</u>	<u>\$ 268,061</u>	<u>\$ 495,996</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
In Lieu Fee Special Revenue Funds
For the year ended June 30, 2015

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Licenses and permits	\$ 7,776	\$ -	\$ 7,776
Use of money and property	1,682	2,006	3,688
Total revenues	9,458	2,006	11,464
EXPENDITURES:			
Capital outlay	-	-	-
Total expenditures	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	9,458	2,006	11,464
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	9,458	2,006	11,464
FUND BALANCES (DEFICIT):			
Beginning of year	218,477	266,055	484,532
End of year	<u>\$ 227,935</u>	<u>\$ 268,061</u>	<u>\$ 495,996</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parkland In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Licenses and permits	\$ 169,000	\$ 169,000	\$ 7,776	\$ (161,224)
Use of money and property	1,000	1,000	1,682	682
Total revenues	170,000	170,000	9,458	(160,542)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	170,000	170,000	9,458	(160,542)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(95,000)	(95,000)	-	95,000
Total other financing sources (uses)	(95,000)	(95,000)	-	95,000
Net change in fund balances	75,000	75,000	9,458	(65,542)
FUND BALANCES:				
Beginning of year	218,477	218,477	218,477	-
End of year	\$ 293,477	\$ 293,477	\$ 227,935	\$ (65,542)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parking In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 2,006	\$ 1,006
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>2,006</u>	<u>1,006</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>2,006</u>	<u>1,006</u>
Net change in fund balances	1,000	1,000	2,006	1,006
FUND BALANCES:				
Beginning of year	266,055	266,055	266,055	-
End of year	<u>\$ 267,055</u>	<u>\$ 267,055</u>	<u>\$ 268,061</u>	<u>\$ 1,006</u>

City of Arcata, California
Combining Balance Sheet
Assessment District Special Revenue Funds
June 30, 2015

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
ASSETS				
Cash and investments	\$ 1,163	\$ 8,557	\$ 5,880	\$ 15,600
Receivables:				
Intergovernmental	-	1,220	214	1,434
Total assets	<u>\$ 1,163</u>	<u>\$ 9,777</u>	<u>\$ 6,094</u>	<u>\$ 17,034</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Assigned	1,163	9,777	6,094	17,034
Total fund balances	<u>1,163</u>	<u>9,777</u>	<u>6,094</u>	<u>17,034</u>
Total liabilities and fund balances	<u>\$ 1,163</u>	<u>\$ 9,777</u>	<u>\$ 6,094</u>	<u>\$ 17,034</u>

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Assessment District Special Revenue Funds

For the year ended June 30, 2015

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
REVENUES:				
Taxes and assessments	\$ -	\$ 16,080	\$ 14,928	\$ 31,008
Use of money and property	9	80	56	145
Total revenues	9	16,160	14,984	31,153
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	9	16,160	14,984	31,153
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(15,000)	(15,000)	(30,000)
Total other financing sources and uses	-	(15,000)	(15,000)	(30,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	9	1,160	(16)	1,153
FUND BALANCES (DEFICIT) :				
Beginning of year	1,154	8,617	6,110	15,881
End of year	\$ 1,163	\$ 9,777	\$ 6,094	\$ 17,034

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Curtis Heights Assessment District Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5	\$ 5	\$ 9	\$ 4
Total revenues	<u>5</u>	<u>5</u>	<u>9</u>	<u>4</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>5</u>	<u>5</u>	<u>9</u>	<u>4</u>
Net change in fund balances	5	5	9	4
FUND BALANCES:				
Beginning of year	1,154	1,154	1,154	-
End of year	<u>\$ 1,159</u>	<u>\$ 1,159</u>	<u>\$ 1,163</u>	<u>\$ 4</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Janes Creek Meadows Assessment District Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 16,080	\$ 80
Use of money and property	100	100	80	(20)
Total revenues	16,100	16,100	16,160	60
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	16,100	16,100	16,160	60
OTHER FINANCING SOURCES (USES):				
Transfers out	15,000	15,000	(15,000)	(30,000)
Total other financing sources (uses)	15,000	15,000	(15,000)	(30,000)
Net change in fund balances	31,100	31,100	1,160	(29,940)
FUND BALANCES (DEFICIT):				
Beginning of year	8,617	8,617	8,617	-
End of year	<u>\$ 39,717</u>	<u>\$ 39,717</u>	<u>\$ 9,777</u>	<u>\$ (29,940)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Windsong Assessment District Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 14,928	\$ (1,072)
Use of money and property	100	100	56	(44)
Total revenues	16,100	16,100	14,984	(1,116)
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	16,100	16,100	14,984	(1,116)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	15,000	15,000	-	-
Transfers out	-	-	(15,000)	(30,000)
Total other financing sources (uses)	15,000	15,000	(15,000)	(30,000)
Net change in fund balances	31,100	31,100	(16)	(31,116)
FUND BALANCES:				
Beginning of year	6,110	6,110	6,110	-
End of year	\$ 37,210	\$ 37,210	\$ 6,094	\$ (31,116)

INTERNAL SERVICE FUNDS

Fund Type	Description
Central Garage Fund	Accounts for all activities of the City's central garage operations, the costs of which are distributed among designated user departments.
Information Technology Fund	Accounts for all activities of the City's computer networks, the costs of which are distributed among user departments using equitable formulas.

City of Arcata, California
Combining Statement of Net Position
Internal Service Funds
For the year ended June 30, 2015

	Central Garage Fund	Information Technology Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 884,493	\$ 37,239	\$ 921,732
Inventory	20,962	-	20,962
Total current assets	905,455	37,239	942,694
Noncurrent assets:			
Capital assets, net	888,450	63,142	951,592
Total noncurrent assets	888,450	63,142	951,592
Total assets	1,793,905	100,381	1,894,286
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	25,649	19,117	44,766
Total assets and deferred outflows of resources	1,819,554	119,498	1,939,052
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 26,827	\$ 72,669	\$ 99,496
Accrued liabilities	6,284	6,727	13,011
Compensated absences - current portion	2,135	740	2,875
Due within one year - capital lease payable	-	-	-
Total current liabilities	35,246	80,136	115,382
Noncurrent liabilities:			
Compensated absences	6,406	2,218	8,624
Net pension liability	229,553	171,088	400,641
Total liabilities	271,205	253,442	524,647
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	53,515	39,885	93,400
Total deferred inflows of resources	53,515	39,885	93,400
NET POSITION			
Net investment in capital assets	888,450	63,142	951,592
Unrestricted	606,384	(236,971)	369,413
Total net position	1,494,834	(173,829)	1,321,005
Total liabilities, deferred inflows of resources and net position	\$ 1,819,554	\$ 119,498	\$ 1,939,052

City of Arcata, California

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the year ended June 30, 2015

	Central Garage Fund	Information Technology Fund	Totals
OPERATING REVENUES:			
Interdepartmental charges	\$ 1,208,291	\$ 220,421	\$ 1,428,712
Other	2,906	-	2,906
Total operating revenues	<u>1,211,197</u>	<u>220,421</u>	<u>1,431,618</u>
OPERATING EXPENSES:			
Salaries and benefits	192,561	143,157	335,718
Contractual services	28,539	28,960	57,499
Materials and supplies	225,116	15,816	240,932
Repairs and maintenance	34,290	10,901	45,191
Insurance	118,665	-	118,665
Allocated overhead	35,537	7,880	43,417
Depreciation	284,944	7,016	291,960
Total operating expenses	<u>919,652</u>	<u>213,730</u>	<u>1,133,382</u>
OPERATING INCOME (LOSS)	<u>291,545</u>	<u>6,691</u>	<u>298,236</u>
NONOPERATING REVENUES (EXPENSES):			
Proceeds from the sale of capital assets	10,339	-	10,339
Interest revenue	4,573	-	4,573
Interest expense	-	50	50
Total non-operating revenues (expenses)	<u>14,912</u>	<u>50</u>	<u>14,962</u>
Change in net position	306,457	6,741	313,198
NET POSITION (DEFICIT):			
Beginning of year	1,450,072	14,474	1,464,546
Adjustments	(261,695)	(195,044)	(456,739)
Beginning, as adjusted	<u>1,188,377</u>	<u>(180,570)</u>	<u>1,007,807</u>
End of year	<u>\$ 1,494,834</u>	<u>\$ (173,829)</u>	<u>\$ 1,321,005</u>

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2015

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 1,211,197	\$ 220,421	\$ 1,431,618
Cash paid to suppliers for goods and services	(443,052)	(63,582)	(506,634)
Cash paid to employees for services	(205,906)	(143,125)	(349,031)
Net cash provided (used) by operating activities	<u>562,239</u>	<u>13,714</u>	<u>575,953</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	-	-
Transfers paid	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(160,160)	-	(160,160)
Principal paid on long-term debt	-	-	-
Interest paid on long-term debt	-	50	50
Net cash (used) by capital and related financing activities	<u>(149,821)</u>	<u>50</u>	<u>(149,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	4,573	-	4,573
Net cash provided by investing activities	<u>4,573</u>	<u>-</u>	<u>4,573</u>
Net increase (decrease) in cash and cash equivalents	416,991	13,764	430,755
CASH AND CASH EQUIVALENTS:			
Beginning of year	467,502	23,475	490,977
End of year	<u>\$ 884,493</u>	<u>\$ 37,239</u>	<u>\$ 921,732</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 291,545	\$ 6,691	\$ 298,236
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	284,944	7,016	291,960
Pension expense	(4,276)	(3,188)	(7,464)
(Increase) decrease in current assets:			
Inventory	(7,389)	-	(7,389)
Increase (decrease) in liabilities:			
Accounts payable	6,484	(25)	6,459
Accrued liabilities	273	3,082	3,355
Compensated absences	(9,342)	138	(9,204)
Net cash provided by operating activities	<u>\$ 562,239</u>	<u>\$ 13,714</u>	<u>\$ 575,953</u>

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