

CITY OF ARCATA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019



Prepared by:

Ondrea Starzhevskiy
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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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 16, 2021

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' Annual Financial Report for the fiscal year ended June 30, 2019. 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, 2019, 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, 2019, 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. As of 2019, the City has grown to an estimated population of approximately 19,000. It is 85.5 percent 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 12,000. Unemployment in Arcata is approximately 6.0 percent. 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 2018/19, the City's efforts were focused in the following areas.

Development of Affordable Housing- Development of affordable housing continues to be a priority. During the fiscal year, the City was awarded \$2.2 million in grant funds for various housing related objectives.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. City staff continuously works to assist local businesses to provide loans for expansion and other economic development needs.

Facilities and Infrastructure – Improving City streets and associated infrastructure continues to be a priority. During the fiscal year, the City's Streets & Utilities department has been working on several projects including our Inflow and Infiltration project.

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 fiscal year 2018/19, all these remained relatively stable.

The City has a reserve policy which promotes maintaining fund balances or working capital balances of at least 25 percent 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

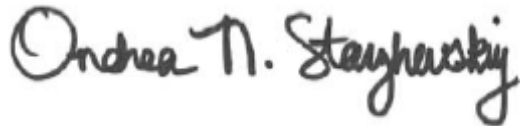
During the 2018/19 fiscal year, Council updated the reserve policy threshold from 20 percent to 25 percent. There were no other changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies 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, CPA, Fortune Andzouana and Jun Lee 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,

A handwritten signature in black ink that reads "Ondrea N. Starzhevskiy". The signature is written in a cursive style with a large initial 'O'.

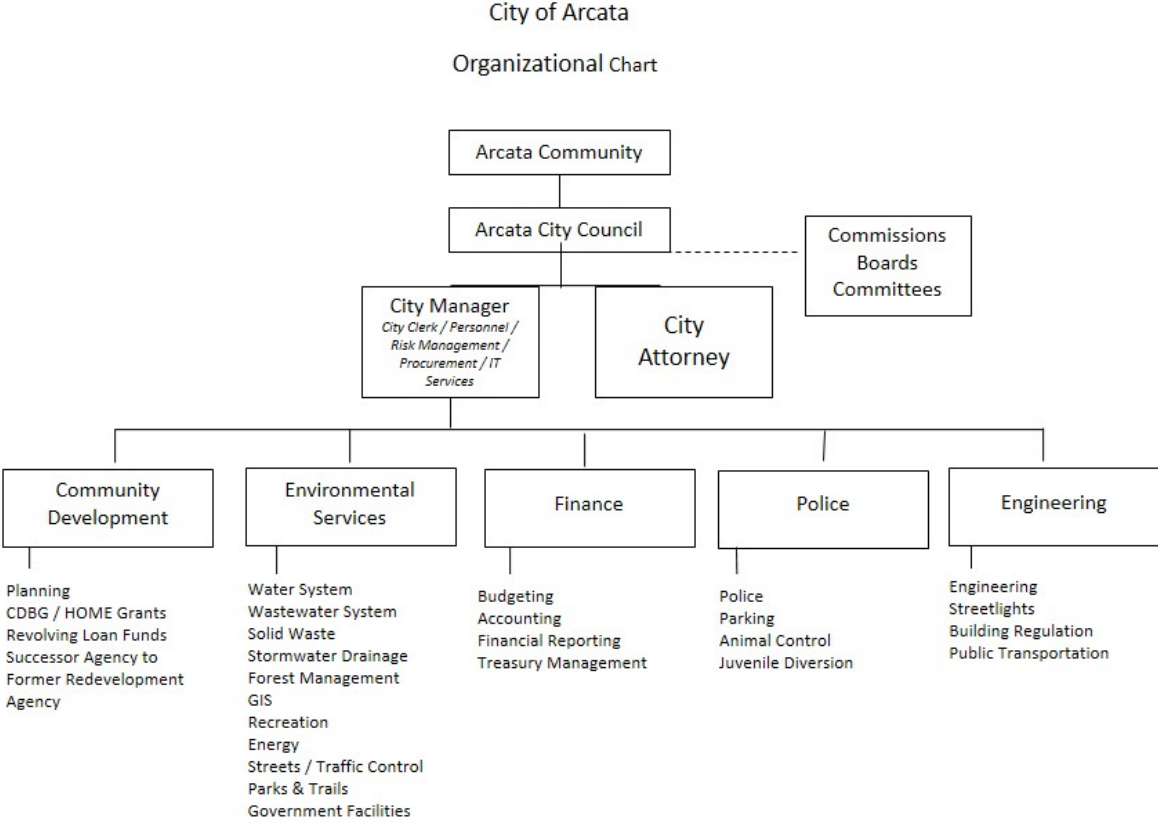
Ondrea Starzhevskiy
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Organization Chart



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

List of Officials

CITY COUNCIL

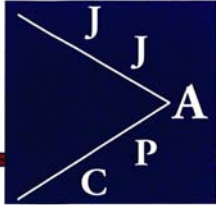
- Sofia Pereira, Mayor
- Brett Watson, Vice Mayor
- Stacy Atkins-Salazar, Council Member
- Emily Goldstein, Council Member
- Sarah Schaefer, Council Member

CITY OFFICIALS

- Karen Diemer, City Manager
- Ondrea Starzhevskiy, Finance Director
- David Loya, Community Development Director
- Brian Ahearn, Chief of Police
- Netra Khatri, City Engineer
- 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, 2019, 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, 2019, 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 3–16, the Schedule of Changes in the Net OPEB Liability and Related Ratios on page 95, the Net OPEB Liability Schedule of Contributions on page 96, the Schedules of Contribution on pages 97-98, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 99-100, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021 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 16, 2021

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

This section of the annual financial report provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2019. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

The following outlines the financial highlights for the year:

- ◆ At June 30, 2019, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$96.4 million, an increase of \$9.8 million from the prior year. Of the total net position, \$56.5 million was invested in capital assets (net of related debt) and \$3.5 had restrictions in their use leaving \$36.4 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$418,000 compared to the 2018 fiscal year. Most of the increase resulted from increased charges for service-related revenues. The City's total expense for all programs in fiscal year 2019 decreased by \$3.1 million. This resulted primarily from grant funded wastewater capital project expenditures.
- ◆ The City's governmental funds increased by approximately \$2.9 million. This primarily results from the fact that several capital projects which were appropriated for in fiscal year 2019 remained unspent. estimates.
- ◆ The City's proprietary enterprise funds increased net position by \$7.6 million. This resulted from planned rate increases which were approved to fund major capital projects in the Water and Wastewater Funds.
- ◆ The general fund reported a fund balance of \$8.4 million at the end of the 2019 fiscal year, an increase of about \$1.2 million. This increase resulted due to the fact that several projects budgeted as capital improvements using general funds were not completed in fiscal year 2019 combined with intergovernmental revenues being higher than anticipated.
- ◆ The City also ended the fiscal year with \$13.2 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 an increase of approximately \$7.6 million from 2018 and primarily results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

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.

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

- ◆ ***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.

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, 2019, 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
- ◆ STIP
- ◆ Housing Successor

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

PROPRIETARY FUNDS:

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

For the fiscal year ended June 30, 2019, 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 49–92 of this report. Required Supplementary Information follows the notes on pages 95-100.

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 104–145 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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 \$96.4 million as of June 30, 2019. The Summary of Net position as of June 30, 2019, and 2018, follows:

	Summary of Net Position					
	2019			2018		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 47,123,798	\$ 20,109,383	\$ 67,233,181	\$ 44,104,027	\$ 16,494,741	\$ 60,598,768
Noncurrent assets	36,478,837	24,734,537	61,213,374	35,939,936	20,028,633	55,968,569
Deferred outflows of resources	4,307,337	1,128,049	5,435,386	4,986,327	1,581,825	6,568,152
Total assets and deferred outflows of resources	87,909,972	45,971,969	133,881,941	85,030,290	38,105,199	123,135,489
Current and other liabilities	4,120,370	2,561,224	6,681,594	3,294,937	1,843,490	5,138,427
Long-term liabilities	21,654,885	6,965,457	28,620,342	21,245,530	7,228,917	28,474,447
Deferred inflows of resources	1,621,610	532,646	2,154,256	2,199,269	773,455	2,972,724
Total liabilities and deferred inflows of resources	27,396,865	10,059,327	37,456,192	26,739,736	9,845,862	36,585,598
Net position:						
Net invested in						
Capital Assets	33,854,637	22,651,059	56,505,696	32,864,986	17,701,595	50,566,581
Restricted	3,509,147	-	3,509,147	2,426,824	-	2,426,824
Unrestricted	23,149,323	13,261,583	36,410,906	22,998,744	10,557,742	33,556,486
Total net position	\$ 60,513,107	\$ 35,912,642	\$ 96,425,749	\$ 58,290,554	\$ 28,259,337	\$ 86,549,891

The City's total net position increased by \$9.8 million (\$2.2 million and \$7.6 million for governmental activities and business-type activities, respectively). Total city-wide assets increased \$10.8 million, \$2.9 in governmental activities and \$7.9 million in business-type activities. The increase in governmental activities assets results from the fact that several projects budgeted as capital improvements using general funds were not completed in fiscal year 2019. For the business-type activities, this increase in assets results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future. Total city-wide liabilities, increased by \$870,000. Of this amount, the liabilities in governmental activities increased slightly by \$657,000 and the liabilities in business-type activities increased by \$213,000.

The largest portion of the City's net assets, approximately 58.6 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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

A portion of the City's net position (3.6 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, \$23.1 million is held by governmental activities and \$13.2 million is held by business-type activities.

Revenues

The City's total revenues for governmental and business-type activities were \$37.5 million for the fiscal year ended June 30, 2019, an increase of \$2.3 million. Significant revenues for the City for fiscal year 2018/19 were derived from charges for services (44.9 percent), taxes (31.5 percent), and operating grants and contributions (21 percent).

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

1. **Program Revenues- Charges for Services.** Annual charges for services receipts increased \$1.2 million, or 7.7 percent. This is reflective of water and wastewater rate increases for future water and wastewater system capital projects.
2. **General Revenues – Taxes.** Annual receipts increased \$913,000 This increase is primarily a result of motor vehicle in lieu tax revenues exceeding prior year by \$747,000. Other miscellaneous taxes such as property taxes and assessments also exceeded budget expectations.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$27.7 million. This is a decrease of \$377,000 from the prior fiscal year. This decrease results from one-time activities that occurred in fiscal 2018, such as grant funded projects that were not performed in fiscal year 2019.

Governmental activity expenses totaled \$17.7 million, or 64.2 percent of total expenses. Public safety costs represented 39.1 percent of total governmental activities expenses, followed by public works (22.1 percent) and general government (17.6 percent). Business-type activities incurred \$9.9 million, or 35.8 percent of total expenses during the fiscal year.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2019, and 2018 follows:

	Changes in Net Position					
	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,421,620	\$ 14,431,179	\$ 16,852,799	\$ 2,493,830	\$ 13,150,183	\$ 15,644,013
Grants and contributions:						
Operating	4,969,624	38,919	5,008,543	5,362,605	62,147	5,424,752
Capital	148,859	2,719,492	2,868,351	2,558,223	-	2,558,223
General revenues:						
Property taxes and assessments	1,635,469	-	1,635,469	1,578,673	-	1,578,673
Transient occupancy taxes	1,468,493	-	1,468,493	1,623,874	-	1,623,874
Sales and use tax	5,051,087	-	5,051,087	5,138,108	-	5,138,108
Franchise taxes	264,359	-	264,359	262,996	-	262,996
Utility users tax	889,449	-	889,449	1,085,627	-	1,085,627
Other taxes	145,014	-	145,014	35,263	-	35,263
Motor vehicle in lieu	2,390,873	-	2,390,873	1,643,759	-	1,643,759
Use of money and property	652,534	310,058	962,592	220,820	30,742	251,562
Other general	36,077	-	36,077	25,026	-	25,026
Total revenues	<u>20,073,458</u>	<u>17,499,648</u>	<u>37,573,106</u>	<u>22,028,804</u>	<u>13,243,072</u>	<u>35,271,876</u>
Expenses:						
Governmental activities:						
General government	3,121,456	-	3,121,456	2,976,868	-	2,976,868
Public safety	6,956,924	-	6,956,924	6,586,386	-	6,586,386
Public works	3,935,505	-	3,935,505	4,267,737	-	4,267,737
Community development	1,857,143	-	1,857,143	2,101,619	-	2,101,619
Parks and recreation	1,873,734	-	1,873,734	1,720,997	-	1,720,997
Interest and fiscal charges	35,797	-	35,797	37,293	-	37,293
Business-type activities:						
Water	-	3,899,946	3,899,946	-	3,554,716	3,554,716
Wastewater	-	3,693,655	3,693,655	-	4,510,576	4,510,576
Transit	-	1,239,159	1,239,159	-	1,204,535	1,204,535
Solid Waste	-	405,834	405,834	-	395,930	395,930
Stormwater	-	678,095	678,095	-	718,063	718,063
Total expenses	<u>17,780,559</u>	<u>9,916,689</u>	<u>27,697,248</u>	<u>17,690,900</u>	<u>10,383,820</u>	<u>28,074,720</u>
Excess (Deficiency) of revenues over expenditures before transfers	2,292,899	7,582,959	9,875,858	4,337,904	2,859,252	7,197,156
Transfer from fiduciary activities	-	-	-	696,173	-	696,173
Transfers	(70,346)	70,346	-	(149,890)	149,890	-
Change in net position	<u>2,222,553</u>	<u>7,653,305</u>	<u>9,875,858</u>	<u>4,884,187</u>	<u>3,009,142</u>	<u>7,893,329</u>
Net position:						
Beginning of year	58,290,554	28,259,337	86,549,891	54,510,363	25,250,195	79,760,558
Adjustments	-	-	-	(1,103,996)	-	(1,103,996)
Beginning, as adjusted	<u>58,290,554</u>	<u>28,259,337</u>	<u>86,549,891</u>	<u>53,406,367</u>	<u>25,250,195</u>	<u>78,656,562</u>
End of year	<u>\$ 60,513,107</u>	<u>\$ 35,912,642</u>	<u>\$ 96,425,749</u>	<u>\$ 58,290,554</u>	<u>\$ 28,259,337</u>	<u>\$ 86,549,891</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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, 2019, and 2018, are as follows:

	2019		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 3,121,456	\$ 553,252	\$ 2,976,868	\$ 1,004,809
Public safety	6,956,924	6,073,917	6,586,386	5,625,797
Public works	3,935,505	1,062,900	4,267,737	(637,720)
Community development	1,857,143	1,175,500	2,101,619	216,833
Parks and recreation	1,873,734	1,339,090	1,720,997	1,029,230
Interest and fiscal charges	35,797	35,797	37,293	37,293
Total	<u>\$ 17,780,559</u>	<u>\$ 10,240,456</u>	<u>\$ 17,690,900</u>	<u>\$ 7,276,242</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

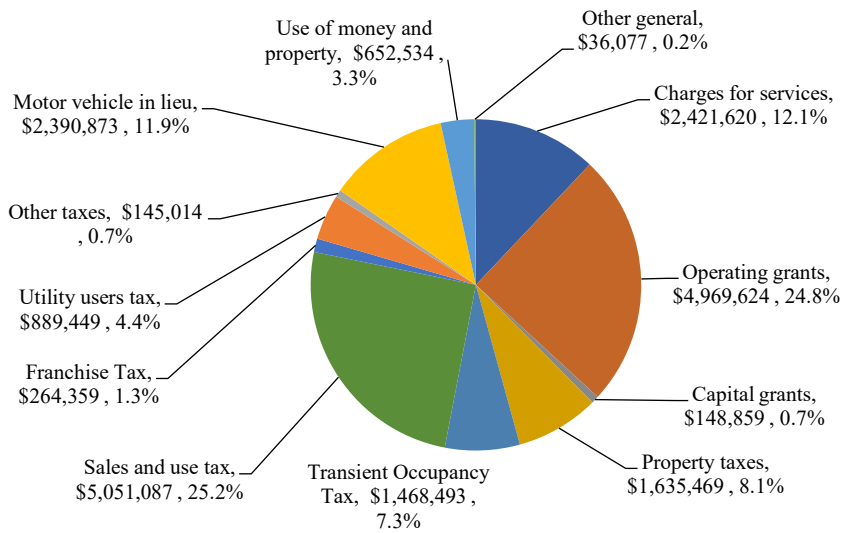
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

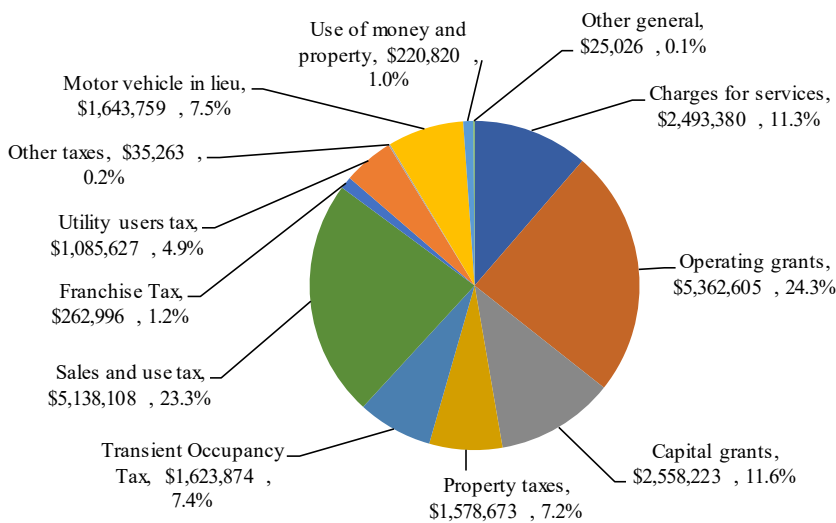
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2019, and 2018, are as follows:

Revenues by Source - Governmental Activities 2019



Revenues by Source - Governmental Activities 2018



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

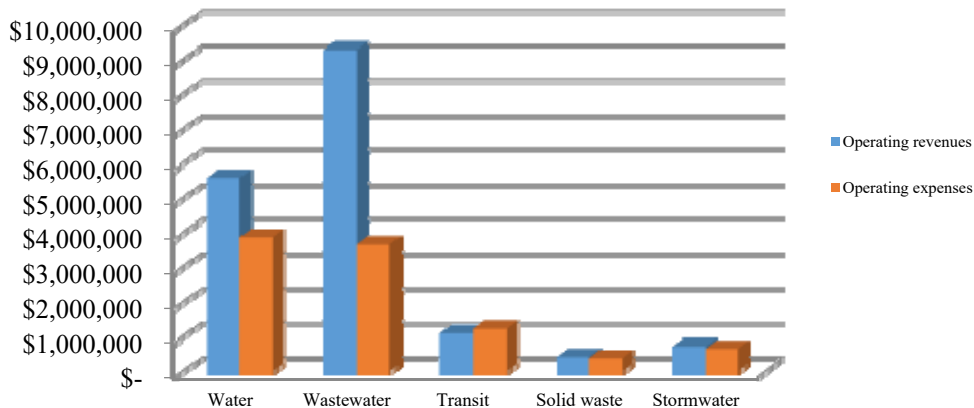
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

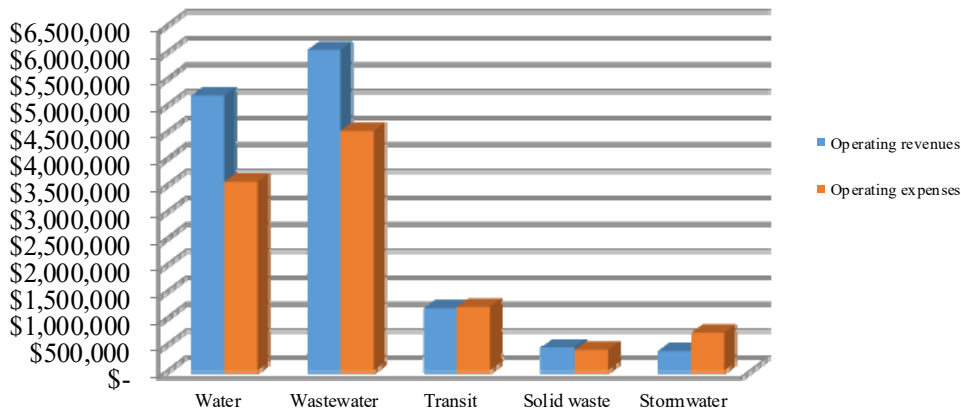
Business-type Activities

Business-type activities have increased the City’s net position by \$7.6 million. 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, 2019, and 2018, are as follows:

**Operating Revenues and Expenses
Business-type Activities
2019**



**Operating Revenues and Expenses
Business-type Activities
2018**



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

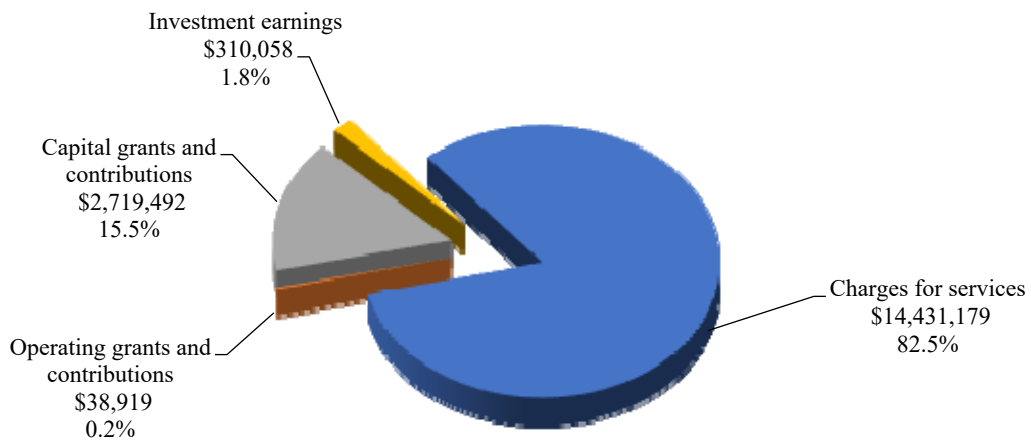
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

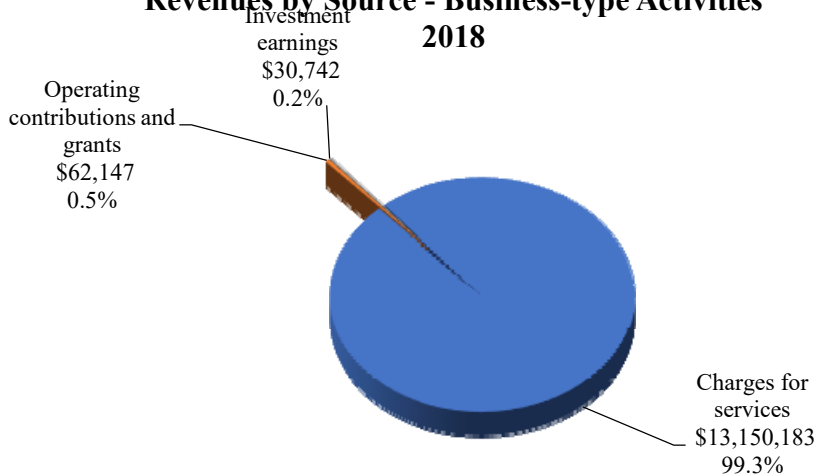
Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2019, and 2018, are as follows:

**Revenues by Source - Business-type Activities
2019**



**Revenues by Source - Business-type Activities
2018**



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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, 2019, the City's governmental funds reported combined fund balances of \$18.9 million. This is an increase of \$2.8 million or 17.9 percent from last year. This increase resulted due to the fact that several major projects which were budgeted for fiscal year 2019 were not completed.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2019, General Fund unassigned fund balance totaled \$8.4 million. This is an increase of \$1.1 million from the prior year. This increase resulted because several projects budgeted as capital improvements using general funds were not completed in fiscal year 2019.

Proprietary funds. The City ended the fiscal year with \$13.2 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 an increase of approximately \$7.6 million from 2018 and results primarily from the accumulation of cash and investments for major water and wastewater capital improvement projects that are anticipated in the near future.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs favorably by \$123,500 or 1 percent of budget. This was mainly due to higher than anticipated intergovernmental grant revenue. The difference between the final budget and actual expenditures differs favorably by \$2.8 million. This results primarily from capital outlay expenditure improvements 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, 2019

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amount to \$61.1 million. 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,193,821	\$ 16,535,081	\$ 7,569,579	\$ 7,569,579	\$ 24,763,400	\$ 24,104,660
Undergrounding facilities	90,025	90,025	8,034,144	3,665,459	8,124,169	3,755,484
Buildings and structures	4,779,931	4,979,732	2,120,411	2,288,770	6,900,342	7,268,502
Furniture and equipment	701,625	787,533	126,485	149,521	828,110	937,054
Other Improvements	8,141,400	8,082,737	5,771,935	5,100,519	13,913,335	13,183,256
Infrastructure	4,491,814	4,640,858	-	-	4,491,814	4,640,858
Vehicles	1,080,221	823,970	1,054,055	1,183,547	2,134,276	2,007,517
Total	\$ 36,478,837	\$ 35,939,936	\$ 24,676,609	\$ 19,957,395	\$ 61,155,446	\$ 55,897,331

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 55 for significant accounting policies and Note 5 on pages 67 – 68 for other capital asset information.

Long-Term Debt

At June 30, 2019, the City had total debt obligations of \$5.5 million. 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	
	2019	2018	2019	2018	2019	2018
Capital Lease Obligations	\$ -	\$ 15,293	\$ -	\$ -	\$ -	\$ 15,293
2015 Refunding of 2008 Lease	844,200	880,950	1,567,800	1,636,050	2,412,000	2,517,000
CalPERS UAL Debt	1,780,000	2,194,000	-	-	1,780,000	2,194,000
2015 Refunding of 2008 Loan	-	-	688,000	850,000	688,000	850,000
Compensated absences	460,517	431,950	170,101	162,521	630,618	594,471
Total	\$ 3,084,717	\$ 3,522,193	\$ 2,425,901	\$ 2,648,571	\$ 5,510,618	\$ 6,170,764

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

Management's Discussion and Analysis, Continued

Economic Outlook and Next Year's Budget and Rates

The budget for Fiscal Year 2019/20, adopted on June 5, 2019, was balanced and the economic outlook for the short- and long-term was relatively stable. This was a result of a continuing and reliable tax revenue streams and the City's ongoing efforts to contain and control expenditures.

Just as important as maintaining and growing the City's revenue base, moderating expenditure growth is also imperative and will continue to be challenging to the City. Personnel cost is the largest expense category and addressing personnel expenditure growth will remain a priority.

In summary, the City entered Fiscal Year 2019/20 in a solid position financially based on past efforts made to restructure itself to operate more efficiently and better contain costs. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain a solid financial foundation.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 17,709,511	\$ 18,208,329	\$ 35,917,840
Restricted cash and investments	2,770,677	-	2,770,677
Receivables:			
Accounts	3,448,102	1,777,924	5,226,026
Loans/Notes receivable	22,875,671	-	22,875,671
Due from Successor Agency	179,512	-	179,512
Inventory	140,325	119,102	259,427
Deposit	-	4,028	4,028
Total current assets	<u>47,123,798</u>	<u>20,109,383</u>	<u>67,233,181</u>
Noncurrent assets:			
Prepaid issuance costs	-	57,928	57,928
Capital assets:			
Nondepreciable	17,283,846	7,569,579	24,853,425
Depreciable	19,194,991	17,107,030	36,302,021
Total noncurrent assets	<u>36,478,837</u>	<u>24,734,537</u>	<u>61,213,374</u>
Total assets	<u>83,602,635</u>	<u>44,843,920</u>	<u>128,446,555</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	902,894	-	902,894
Pension Plan	3,404,443	1,128,049	4,532,492
Total assets and deferred outflows of resources	<u>\$ 87,909,972</u>	<u>\$ 45,971,969</u>	<u>\$ 133,881,941</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,482,361	\$ 1,857,799	\$ 3,340,160
Interest payable	-	1,993	1,993
Deposits payable	25,477	422,058	447,535
Compensated absences - current portion	115,129	42,524	157,653
Other liabilities	2,158,253	-	2,158,253
Due within one year	339,150	236,850	576,000
Total current liabilities	<u>4,120,370</u>	<u>2,561,224</u>	<u>6,681,594</u>
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	345,388	127,577	472,965
Due after one year	2,285,050	2,018,950	4,304,000
Net OPEB liability	3,611,860	-	3,611,860
Net pension liability	15,412,587	4,818,930	20,231,517
Total noncurrent liabilities	<u>21,654,885</u>	<u>6,965,457</u>	<u>28,620,342</u>
Total liabilities	<u>25,775,255</u>	<u>9,526,681</u>	<u>35,301,936</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB	261,813	-	261,813
Pension Plan	1,359,797	532,646	1,892,443
Total deferred inflows of resources	<u>1,621,610</u>	<u>532,646</u>	<u>2,154,256</u>
NET POSITION			
Net investment in capital assets	33,854,637	22,657,659	56,512,296
Restricted	3,509,147	-	3,509,147
Unrestricted	23,149,323	13,254,983	36,404,306
Total net position	<u>60,513,107</u>	<u>35,912,642</u>	<u>96,425,749</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 87,909,972</u>	<u>\$ 45,971,969</u>	<u>\$ 133,881,941</u>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,121,456	\$ 23,527	\$ 2,543,977	\$ 700
Public safety	6,956,924	338,248	544,759	-
Public works	3,935,505	1,067,147	1,657,299	148,159
Community development	1,857,143	524,816	156,827	-
Parks and recreation	1,873,734	467,882	66,762	-
Interest and fiscal charges	35,797	-	-	-
Total governmental activities	<u>17,780,559</u>	<u>2,421,620</u>	<u>4,969,624</u>	<u>148,859</u>
Business-type activities:				
Water	3,899,946	5,603,525	-	-
Wastewater	3,693,655	6,570,514	-	2,719,492
Transit	1,239,159	1,072,499	38,919	-
Solid waste	405,834	442,333	-	-
Stormwater utility	678,095	742,308	-	-
Total business-type activities	<u>9,916,689</u>	<u>14,431,179</u>	<u>38,919</u>	<u>2,719,492</u>
Total primary government	<u>\$ 27,697,248</u>	<u>\$ 16,852,799</u>	<u>\$ 5,008,543</u>	<u>\$ 2,868,351</u>

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 from Fiduciary Activities

Transfers

Total general revenues and transfers

Change in net position

Net position:

- Beginning of year
- 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
\$ (553,252)	\$ -	\$ (553,252)
(6,073,917)	-	(6,073,917)
(1,062,900)	-	(1,062,900)
(1,175,500)	-	(1,175,500)
(1,339,090)	-	(1,339,090)
(35,797)	-	(35,797)
<u>(10,240,456)</u>	<u>-</u>	<u>(10,240,456)</u>
-	1,703,579	1,703,579
-	5,596,351	5,596,351
-	(127,741)	(127,741)
-	36,499	36,499
-	64,213	64,213
<u>-</u>	<u>7,272,901</u>	<u>7,272,901</u>
<u>(10,240,456)</u>	<u>7,272,901</u>	<u>(2,967,555)</u>
1,635,469	-	1,635,469
1,468,493	-	1,468,493
5,051,087	-	5,051,087
264,359	-	264,359
889,449	-	889,449
145,014	-	145,014
2,390,873	-	2,390,873
652,534	310,058	962,592
36,077	-	36,077
<u>12,533,355</u>	<u>310,058</u>	<u>12,843,413</u>
-	-	-
<u>(70,346)</u>	<u>70,346</u>	<u>-</u>
<u>12,463,009</u>	<u>380,404</u>	<u>12,843,413</u>
2,222,553	7,653,305	9,875,858
58,290,554	28,259,337	86,549,891
<u>\$ 60,513,107</u>	<u>\$ 35,912,642</u>	<u>\$ 96,425,749</u>

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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, 2019

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
ASSETS			
Cash and investments	\$ 8,706,494	\$ 753,324	\$ 1,227,477
Restricted cash and investments	-	-	-
Receivables:			
Taxes	594,907	-	-
Interest	41,429	-	-
Intergovernmental	2,394,587	-	-
Loans/Notes receivable	-	7,489,130	10,269,630
Other receivable	13,982	95,851	1,801
Due from other funds	27,078	22,865	-
Due from Successor Agency	-	-	-
Inventory	1,987	-	-
Total assets	\$ 11,780,464	\$ 8,361,170	\$ 11,498,908
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,103,667	\$ 8,382	\$ 895
Due to other funds	27,078	-	-
Deposits payable	-	-	-
Other liabilities	2,158,253	-	-
Total liabilities	3,288,998	8,382	895
Deferred inflows of resources:			
Unavailable revenue	94,242	7,503,818	10,269,629
Total deferred inflows of resources:	94,242	7,503,818	10,269,629
Total Liabilities and deferred inflows	3,383,240	7,512,200	10,270,524
Fund balances:			
Nonspendable	1,987	-	-
Restricted	-	848,970	1,228,384
Assigned	-	-	-
Unassigned (Deficit)	8,395,237	-	-
Total fund balances	8,397,224	848,970	1,228,384
Total liabilities, deferred inflows and fund balances	\$ 11,780,464	\$ 8,361,170	\$ 11,498,908

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

Major Funds		
Basic	Nonmajor	
Business	Governmental	
Loan	Funds	Totals
Revolving		
\$ 1,242,032	\$ 4,185,655	\$ 16,114,982
-	2,770,677	2,770,677
-	-	594,907
-	-	41,429
-	303,065	2,697,652
2,758,433	2,358,478	22,875,671
2,480	-	114,114
11,000	-	60,943
-	179,512	179,512
-	126,116	128,103
<u>\$ 4,013,945</u>	<u>\$ 9,923,503</u>	<u>\$ 45,577,990</u>

\$ 105	\$ 322,779	\$ 1,435,828
-	33,865	60,943
-	25,477	25,477
-	-	2,158,253
<u>105</u>	<u>382,121</u>	<u>3,680,501</u>

2,758,433	2,358,477	22,984,599
<u>2,758,433</u>	<u>2,358,477</u>	<u>22,984,599</u>
2,758,538	2,740,598	26,665,100

-	126,116	128,103
-	1,431,793	3,509,147
1,255,407	5,634,149	6,889,556
-	(9,153)	8,386,084
<u>1,255,407</u>	<u>7,182,905</u>	<u>18,912,890</u>
<u>\$ 4,013,945</u>	<u>\$ 9,923,503</u>	<u>\$ 45,577,990</u>

City of Arcata, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances - total governmental funds \$ 18,912,890

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. 35,303,211

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	\$ (439,419)	
Due within one year	(339,150)	
Due after one year	(2,285,050)	
Net OPEB obligation	(3,611,860)	
Net pension liability	<u>(14,882,722)</u>	(21,558,201)

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. 22,984,599

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

Deferred outflows - OPEB	902,894	
Deferred outflows - Pension	3,404,443	
Deferred inflows - OPEB	(261,813)	
Deferred inflows - Pension	<u>(1,359,797)</u>	2,685,727

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	1,606,751	
Noncurrent assets	1,175,626	
Accounts payable and accrued liabilities	(51,807)	
Noncurrent liabilities	<u>(545,689)</u>	2,184,881

Net Position of governmental activities \$ 60,513,107

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, 2019

	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	\$ 16,114,982	\$ -	\$ -	\$ 1,594,529	\$ 17,709,511
Restricted cash and investments	2,770,677	-	-	-	2,770,677
Receivables:					
Taxes	594,907	-	-	-	594,907
Interest	41,429	-	-	-	41,429
Intergovernmental	2,697,652	-	-	-	2,697,652
Loans/Notes receivable	22,875,671	-	-	-	22,875,671
Other receivable	114,114	-	-	-	114,114
Due from other funds	60,943	(60,943)	-	-	-
Due from Successor Agency	179,512	-	-	-	179,512
Inventory	128,103	-	-	12,222	140,325
Total current assets	45,577,990	(60,943)	-	1,606,751	47,123,798
Noncurrent assets:					
Capital assets, net	-	-	35,303,211	1,175,626	36,478,837
Total noncurrent assets	-	-	35,303,211	1,175,626	36,478,837
Total assets	45,577,990	(60,943)	35,303,211	2,782,377	83,602,635
Deferred outflows of resources:					
OPEB	-	-	902,894	-	902,894
Pension Plan	-	-	3,290,994	113,449	3,404,443
Total assets and deferred outflows of resources	\$ 45,577,990	\$ (60,943)	\$ 39,497,099	\$ 2,895,826	\$ 87,909,972
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,435,828	\$ -	\$ -	\$ 46,533	\$ 1,482,361
Due to other funds	60,943	(60,943)	-	-	-
Deposits payable	25,477	-	-	-	25,477
Compensated absences - current portion	-	-	109,855	5,274	115,129
Other liabilities	2,158,253	-	-	-	2,158,253
Due within one year	-	-	339,150	-	339,150
Total current liabilities	3,680,501	(60,943)	449,005	51,807	4,120,370
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	329,564	15,824	345,388
Due after one year	-	-	2,285,050	-	2,285,050
Net OPEB liability	-	-	3,611,860	-	3,611,860
Net pension liability	-	-	14,882,722	529,865	15,412,587
Total noncurrent liabilities	-	-	21,109,196	545,689	21,654,885
Total liabilities	3,680,501	(60,943)	21,558,201	597,496	25,775,255
Deferred inflows of resources					
Unavailable revenue	22,984,599	-	(22,984,599)	-	-
OPEB	-	-	261,813	-	261,813
Pension plan	-	-	1,313,922	45,875	1,359,797
Total liabilities and deferred inflows of resources:	26,665,100	(60,943)	149,337	643,371	27,396,865
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	128,103	(128,103)	-	-	-
Restricted	3,509,147	(3,509,147)	-	-	-
Assigned	6,889,556	(6,889,556)	-	-	-
Unassigned (deficit)	8,386,084	(8,386,084)	-	-	-
Net position:					
Net investment in capital assets	-	-	32,679,011	1,175,626	33,854,637
Restricted	-	-	3,509,147	-	3,509,147
Unrestricted	-	18,912,890	3,159,604	1,076,829	23,149,323
Total fund balances/net position	18,912,890	-	39,347,762	2,252,455	60,513,107
Total liabilities, deferred inflows and net position	\$ 45,577,990	\$ (60,943)	\$ 39,497,099	\$ 2,895,826	\$ 87,909,972

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, 2019

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
REVENUES:			
Taxes and assessments	\$ 9,420,091	\$ -	\$ -
Licenses and permits	578,209	-	-
Fines and forfeitures	246,032	-	-
Intergovernmental	2,897,729	-	-
Use of money and property	330,140	621,497	451,192
Charges for services	1,049,730	-	-
Reimbursements	1,775,057	-	-
Other revenues	146,940	-	-
Total revenues	16,443,928	621,497	451,192
EXPENDITURES:			
Current:			
General government	2,966,902	-	-
Public safety	6,544,987	-	-
Public works	610,412	-	-
Community development	1,005,526	221,375	204,576
Parks and recreation	1,408,982	-	-
Capital outlay	1,689,520	-	-
Debt service:			
Principal	36,750	-	-
Interest and fiscal charges	35,797	-	-
Total expenditures	14,298,876	221,375	204,576
REVENUES OVER (UNDER) EXPENDITURES	2,145,052	400,122	246,616
OTHER FINANCING SOURCES (USES):			
Transfers in	10,000	-	-
Transfers out	(985,898)	-	-
Total other financing sources (uses)	(975,898)	-	-
Net change in fund balances	1,169,154	400,122	246,616
FUND BALANCES:			
Beginning of year	7,228,070	448,848	981,768
End of year	\$ 8,397,224	\$ 848,970	\$ 1,228,384

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

Major Funds		
Basic		
Business	Other	
Loans	Governmental	
Revolving	Funds	Totals
\$ -	\$ 33,780	\$ 9,453,871
-	-	578,209
-	78,076	324,108
-	1,998,505	4,896,234
135,825	448,470	1,987,124
-	-	1,049,730
-	-	1,775,057
-	701,314	848,254
<u>135,825</u>	<u>3,260,145</u>	<u>20,912,587</u>
-	-	2,966,902
-	246,426	6,791,413
-	1,076,532	1,686,944
3,420	313,859	1,748,756
-	331,798	1,740,780
-	1,275,808	2,965,328
-	-	36,750
-	-	35,797
<u>3,420</u>	<u>3,244,423</u>	<u>17,972,670</u>
<u>132,405</u>	<u>15,722</u>	<u>2,939,917</u>
-	1,015,552	1,025,552
-	(110,000)	(1,095,898)
-	905,552	(70,346)
132,405	921,274	2,869,571
<u>1,123,002</u>	<u>6,261,631</u>	<u>16,043,319</u>
<u>\$ 1,255,407</u>	<u>\$ 7,182,905</u>	<u>\$ 18,912,890</u>

City of Arcata, California

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

For the year ended June 30, 2019

Functions/Programs	Fund Based Totals	Compensated			Capital			UAL Debt	Government- wide Totals
		Absences/ Debt Service	Internal Service	Depreciation	Asset (Additions)/ Retirements	OPEB Obligation	Pension Plan		
Governmental activities:									
General government	\$ 2,966,902	\$ (4,886)	\$ (229,347)	\$ 151,597	\$ -	\$ 198,584	\$ 120,851	\$ (82,245)	\$ 3,121,456
Public safety	6,791,413	-	-	77,136	-	-	276,636	(188,261)	6,956,924
Public works	1,686,944	-	-	426,492	1,800,117	-	68,715	(46,763)	3,935,505
Community development	1,748,756	-	-	85,631	-	-	71,232	(48,476)	1,857,143
Parks and recreation	1,740,780	-	-	110,301	-	-	70,908	(48,255)	1,873,734
Capital outlay	2,965,328	-	-	-	(2,965,328)	-	-	-	-
Debt service/Interest	72,547	(36,750)	-	-	-	-	-	-	35,797
Total governmental activities	\$ 17,972,670	\$ (41,636)	\$ (229,347)	\$ 851,157	\$ (1,165,211)	\$ 198,584	\$ 608,342	\$ (414,000)	\$ 17,780,559

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, 2019

Net change in fund balances - total governmental funds **\$ 2,869,571**

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

Capital asset purchases capitalized	\$ 1,165,211	
Depreciation expense	<u>(851,157)</u>	314,054

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. (839,129)

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		36,750
CalPERS UAL Debt		414,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences		4,886
--------------------------------	--	-------

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	(198,584)	
Pension Plan	<u>(608,342)</u>	(806,926)

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 transfers. 229,347

Change in Net Position of governmental activities **\$ 2,222,553**

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 -
Budget to Actual - Major Funds
For the year ended June 30, 2019

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 9,769,550	\$ 9,769,550	\$ 9,420,091	\$ (349,459)
Licenses and permits	489,100	489,100	578,209	89,109
Fines and forfeitures	250,000	250,000	246,032	(3,968)
Intergovernmental	2,214,737	2,214,737	2,897,729	682,992
Use of money and property	273,431	273,431	330,140	56,709
Charges for services	1,114,585	1,114,585	1,049,730	(64,855)
Reimbursements	1,750,223	1,750,223	1,775,057	24,834
Other revenues	458,800	458,800	146,940	(311,860)
Total revenues	16,320,426	16,320,426	16,443,928	123,502
EXPENDITURES:				
Current:				
General government	3,366,653	3,366,653	2,966,902	399,751
Public safety	6,593,932	6,593,932	6,544,987	48,945
Public works	734,912	734,912	610,412	124,500
Community development	1,370,932	1,370,932	1,005,526	365,406
Parks and recreation	1,627,424	1,627,424	1,408,982	218,442
Capital outlay	3,344,925	3,344,925	1,689,520	1,655,405
Debt service:				
Principal	36,750	36,750	36,750	-
Interest and fiscal charges	36,550	36,550	35,797	753
Total expenditures	17,112,078	17,112,078	14,298,876	2,813,202
REVENUES OVER (UNDER) EXPENDITURES	(791,652)	(791,652)	2,145,052	2,936,704
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt	-	-	-	-
Payments to CALPERS	-	-	-	-
Proceeds from sales of assets	-	-	-	-
Transfer from fiduciary activities	-	-	-	-
Transfers in	10,000	10,000	10,000	-
Transfers out	(954,398)	(954,398)	(985,898)	(31,500)
Total other financing sources (uses)	(944,398)	(944,398)	(975,898)	(31,500)
Net change in fund balances	(1,736,050)	(1,736,050)	1,169,154	2,905,204
FUND BALANCES:				
Beginning of year	7,228,070	7,228,070	7,228,070	-
End of year	\$ 5,492,020	\$ 5,492,020	\$ 8,397,224	\$ 2,905,204

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>Actual</u>	<u>Variance w/Final Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final Positive (Negative)</u>
<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
600,000	600,000	621,497	21,497	165,000	165,000	451,192	286,192
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>600,000</u>	<u>600,000</u>	<u>621,497</u>	<u>21,497</u>	<u>165,000</u>	<u>165,000</u>	<u>451,192</u>	<u>286,192</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
650,899	650,899	221,375	429,524	917,224	917,224	204,576	712,648
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>650,899</u>	<u>650,899</u>	<u>221,375</u>	<u>429,524</u>	<u>917,224</u>	<u>917,224</u>	<u>204,576</u>	<u>712,648</u>
(50,899)	(50,899)	400,122	451,021	(752,224)	(752,224)	246,616	998,840
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(50,899)</u>	<u>(50,899)</u>	<u>400,122</u>	<u>451,021</u>	<u>(752,224)</u>	<u>(752,224)</u>	<u>246,616</u>	<u>998,840</u>
448,848	448,848	448,848	-	981,768	981,768	981,768	-
<u>\$ 397,949</u>	<u>\$ 397,949</u>	<u>\$ 848,970</u>	<u>\$ 451,021</u>	<u>\$ 229,544</u>	<u>\$ 229,544</u>	<u>\$ 1,228,384</u>	<u>\$ 998,840</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, 2019

	Basic Business Loan Revolving			
	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Use of money and property	23,000	23,000	135,825	112,825
Charges for services	-	-	-	-
Reimbursements	-	-	-	-
Other revenues	-	-	-	-
Total revenues	23,000	23,000	135,825	112,825
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	303,955	303,955	3,420	300,535
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	303,955	303,955	3,420	300,535
REVENUES OVER (UNDER) EXPENDITURES	(280,955)	(280,955)	132,405	413,360
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Payments to CALPERS				
Transfer to Successory Agency	-	-	-	-
Transfer from fiduciary activities	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(280,955)	(280,955)	132,405	413,360
FUND BALANCES:				
Beginning of year	1,123,002	1,123,002	1,123,002	-
End of year	\$ 842,047	\$ 842,047	\$ 1,255,407	\$ 413,360

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, 2019

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Transit Fund</u>
ASSETS			
Current assets:			
Cash and investments	\$ 7,629,700	\$ 9,281,466	\$ 255,552
Receivables:			
Accounts	523,992	633,261	-
Intergovernmental	-	-	563,217
Inventory	101,682	16,404	-
Deposit	2,014	2,014	-
Total current assets	<u>8,257,388</u>	<u>9,933,145</u>	<u>818,769</u>
Noncurrent assets:			
Prepaid debt issuance costs	41,744	16,184	-
Capital assets, net	3,770,518	11,151,261	1,729,763
Total noncurrent assets	<u>3,812,262</u>	<u>11,167,445</u>	<u>1,729,763</u>
Total Assets	<u>12,069,650</u>	<u>21,100,590</u>	<u>2,548,532</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	379,565	459,705	116,904
Total assets and deferrd outflows of resources	<u>\$ 12,449,215</u>	<u>\$ 21,560,295</u>	<u>\$ 2,665,436</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 142,582	\$ 1,221,077	\$ 328,965
Accrued payroll	53,848	63,708	13,839
Interest payable	-	1,993	-
Deposits payable	341,911	77,747	-
Compensated absences - current portion	15,774	17,584	2,714
Due within one year	70,850	166,000	-
Total current liabilities	<u>624,965</u>	<u>1,548,109</u>	<u>345,518</u>
Noncurrent liabilities:			
Compensated absences	47,322	52,753	8,142
Due after one year	1,496,950	522,000	-
Net pension liability	1,674,724	1,925,210	484,782
Total noncurrent liabilities	<u>3,218,996</u>	<u>2,499,963</u>	<u>492,924</u>
Total liabilities	<u>3,843,961</u>	<u>4,048,072</u>	<u>838,442</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	191,588	210,738	43,222
Total deferred inflows of resources	<u>191,588</u>	<u>210,738</u>	<u>43,222</u>
Net Position:			
Net investment in capital assets	2,273,568	10,629,261	1,729,763
Unrestricted	6,140,098	6,672,224	54,009
Total net position	<u>8,413,666</u>	<u>17,301,485</u>	<u>1,783,772</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,449,215</u>	<u>\$ 21,560,295</u>	<u>\$ 2,665,436</u>

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 606,900	\$ 434,711	\$ 18,208,329	\$ 1,594,529
25,695	14,875	1,197,823	-
50	16,834	580,101	-
-	1,016	119,102	12,222
-	-	4,028	-
<u>632,645</u>	<u>467,436</u>	<u>20,109,383</u>	<u>1,606,751</u>
-	-	57,928	-
1,336	8,023,731	24,676,609	1,175,626
<u>1,336</u>	<u>8,023,731</u>	<u>24,734,537</u>	<u>1,175,626</u>
<u>633,981</u>	<u>8,491,167</u>	<u>44,843,920</u>	<u>2,782,377</u>
60,634	111,241	1,128,049	113,449
<u>\$ 694,615</u>	<u>\$ 8,602,408</u>	<u>\$ 45,971,969</u>	<u>\$ 2,895,826</u>
\$ 4,554	\$ 4,858	\$ 1,702,036	\$ 27,987
9,013	15,355	155,763	18,546
-	-	1,993	-
-	2,400	422,058	-
2,290	4,162	42,524	5,274
-	-	236,850	-
<u>15,857</u>	<u>26,775</u>	<u>2,561,224</u>	<u>51,807</u>
6,872	12,488	127,577	15,824
-	-	2,018,950	-
239,997	494,217	4,818,930	529,865
<u>246,869</u>	<u>506,705</u>	<u>6,965,457</u>	<u>545,689</u>
<u>262,726</u>	<u>533,480</u>	<u>9,526,681</u>	<u>597,496</u>
28,432	58,666	532,646	45,875
<u>28,432</u>	<u>58,666</u>	<u>532,646</u>	<u>45,875</u>
1,336	8,023,731	22,657,659	1,175,626
402,121	(13,469)	13,254,983	1,076,829
<u>403,457</u>	<u>8,010,262</u>	<u>35,912,642</u>	<u>2,252,455</u>
<u>\$ 694,615</u>	<u>\$ 8,602,408</u>	<u>\$ 45,971,969</u>	<u>\$ 2,895,826</u>

City of Arcata, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2019

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 5,603,190	\$ 6,569,848	\$ 1,071,873
Interdepartmental charges	-	-	-
Other operating revenue	335	666	626
Total operating revenues	5,603,525	6,570,514	1,072,499
OPERATING EXPENSES:			
Salaries and benefits	1,274,393	1,576,631	401,361
Contractual services	127,053	496,529	302,749
Materials and supplies	196,257	389,840	55,469
Repairs and maintenance	151,104	104,800	151,862
Purchased water	1,323,766	-	-
Utilities	55,414	147,193	588
Insurance	77,473	77,473	60,866
Taxes and fees	20,017	32,463	354
Allocated overhead	448,890	448,890	86,980
Depreciation	153,881	393,519	178,930
Total operating expenses	3,828,248	3,667,338	1,239,159
OPERATING INCOME	1,775,277	2,903,176	(166,660)
NONOPERATING REVENUES (EXPENSES):			
Gain (Loss) from the sale of capital assets	-	-	-
Intergovernmental revenues (expenses)	-	2,719,492	38,919
Interest revenue	155,014	138,966	116
Interest expense	(71,698)	(26,317)	-
Total non-operating revenues, net	83,316	2,832,141	39,035
NET INCOME BEFORE TRANSFERS	1,858,593	5,735,317	(127,625)
Transfers in	-	-	-
Transfers out	(64,500)	(64,500)	-
Total transfers	(64,500)	(64,500)	-
CHANGE IN NET POSITION	1,794,093	5,670,817	(127,625)
NET POSITION:			
Beginning of year	6,619,573	11,630,668	1,911,397
End of year	\$ 8,413,666	\$ 17,301,485	\$ 1,783,772

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 426,426	\$ 741,494	\$ 14,412,831	\$ -
-	-	-	1,499,347
15,907	814	18,348	20,000
<u>442,333</u>	<u>742,308</u>	<u>14,431,179</u>	<u>1,519,347</u>
219,571	380,121	3,852,077	449,951
59,613	89,153	1,075,097	47,093
13,306	38,501	693,373	319,270
5,167	10,846	423,779	50,393
-	-	1,323,766	-
-	227	203,422	-
4,768	13,707	234,287	151,579
-	18,329	71,163	-
103,190	98,610	1,186,560	45,210
219	41,375	767,924	291,870
<u>405,834</u>	<u>690,869</u>	<u>9,831,448</u>	<u>1,355,366</u>
<u>36,499</u>	<u>51,439</u>	<u>4,599,731</u>	<u>163,981</u>
-	-	-	31,451
-	12,774	2,771,185	-
12,559	3,403	310,058	33,090
-	-	(98,015)	825
<u>12,559</u>	<u>16,177</u>	<u>2,983,228</u>	<u>65,366</u>
49,058	67,616	7,582,959	229,347
-	234,346	234,346	-
(35,000)	-	(164,000)	-
<u>(35,000)</u>	<u>234,346</u>	<u>70,346</u>	<u>-</u>
14,058	301,962	7,653,305	229,347
389,399	7,708,300	28,259,337	2,023,108
<u>\$ 403,457</u>	<u>\$ 8,010,262</u>	<u>\$ 35,912,642</u>	<u>\$ 2,252,455</u>

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 5,584,608	\$ 6,514,580
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(2,414,965)	(1,329,708)
Cash payments to employees for services	(1,207,778)	(1,500,805)
Net cash provided by operating activities	1,961,865	3,684,067
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	-
Transfers paid	(64,500)	(64,500)
Grant income	-	2,719,492
Net cash used by noncapital financing activities	(64,500)	2,654,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	-	-
Acquisition and construction of capital assets	(591,930)	(4,426,203)
Principal paid on long term debt	(68,250)	(162,000)
Interest paid on long term debt	(66,480)	(18,225)
Proceeds from the sale of capital assets	-	-
Net cash (used) by capital and related financing activities	(726,660)	(4,606,428)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	155,014	138,966
Net cash provided by investing activities	155,014	138,966
Net increase (decrease) in cash and cash equivalents	1,325,719	1,871,597
CASH AND CASH EQUIVALENTS:		
Beginning of year	6,303,981	7,409,869
End of year	\$ 7,629,700	\$ 9,281,466
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ 1,775,277	\$ 2,903,176
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	153,881	393,519
Pension expense	60,224	73,489
(Increase) decrease in current assets:		
Accounts receivable	(49,600)	(90,265)
Intergovernmental receivables	-	-
Inventory	(17,512)	(5,061)
Deposits	-	-
Increase (decrease) in liabilities:		
Accounts payable	2,521	372,541
Accrued liabilities	2,280	723
Unearned revenues	-	-
Deposits payable	30,683	34,331
Compensated absences	4,111	1,614
Net cash provided by operating activities	\$ 1,961,865	\$ 3,684,067

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2019.

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
\$ 1,196,407	\$ 463,424	\$ 799,149	\$ 14,558,168	\$ -
-	-	-	-	1,519,347
(381,326)	(198,517)	(268,384)	(4,592,900)	(610,059)
(379,518)	(209,704)	(362,978)	(3,660,783)	(426,803)
<u>435,563</u>	<u>55,203</u>	<u>167,787</u>	<u>6,304,485</u>	<u>482,485</u>
-	-	234,346	234,346	-
-	(35,000)	-	(164,000)	-
-	-	-	2,719,492	-
-	(35,000)	234,346	2,789,838	-
38,919	-	12,774	51,693	-
(112,111)	-	(356,894)	(5,487,138)	(516,717)
-	-	-	(230,250)	(15,293)
-	-	-	(84,705)	825
-	-	-	-	31,451
(73,192)	-	(344,120)	(5,750,400)	(499,734)
116	12,559	3,403	310,058	33,090
116	12,559	3,403	310,058	33,090
362,487	32,762	61,416	3,653,981	15,841
(106,935)	574,138	373,295	14,554,348	1,578,688
<u>\$ 255,552</u>	<u>\$ 606,900</u>	<u>\$ 434,711</u>	<u>\$ 18,208,329</u>	<u>\$ 1,594,529</u>
\$ (166,660)	\$ 36,499	\$ 51,439	\$ 4,599,731	\$ 163,981
178,930	219	41,375	767,924	291,870
20,671	9,034	17,253	180,671	21,485
-	5,168	60,837	(73,860)	-
123,908	15,923	(3,996)	135,835	-
-	-	(63)	(22,636)	6,014
-	-	-	-	-
277,542	(12,473)	1,052	641,183	(2,528)
678	67	(705)	3,043	(4)
-	-	-	-	-
-	-	-	65,014	-
494	766	595	7,580	1,667
<u>\$ 435,563</u>	<u>\$ 55,203</u>	<u>\$ 167,787</u>	<u>\$ 6,304,485</u>	<u>\$ 482,485</u>

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FIDUCIARY ACTIVITIES

Fund	Description
<hr/> Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise. <hr/>	
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

City of Arcata, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2019

	<u>Successor Agency</u> Former Arcata Community Development Agency
ASSETS	
Current assets:	
Cash and investments	\$ 16,807
Total current assets	<u>16,807</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	60,246
Total assets and deferred outflows of resources	<u><u>\$ 77,053</u></u>
LIABILITIES	
Current liabilities:	
Due to City of Arcata	\$ 179,512
Due within one year	340,144
Total current liabilities	<u>519,656</u>
Long-term liabilities:	
Due after one year	4,681,264
Net pension liability	211,191
Total long-term liabilities	<u>4,892,455</u>
Total liabilities	<u>5,412,111</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plan	50,327
Total deferred inflows of resources	<u>50,327</u>
NET POSITION (DEFICIT)	
Net position held in trust for	
Redevelopment Dissolution	<u>(5,385,385)</u>
Total Net Position (deficit)	<u>(5,385,385)</u>
Total liabilities and net position	<u><u>\$ 77,053</u></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, 2019

	<u>Successor Agency</u>
	Former Arcata Community Development Agency
	<u>Agency</u>
ADDITIONS:	
Property taxes	\$ 575,131
Investment income	(610)
Total operating revenues	<u>574,521</u>
DEDUCTIONS:	
Community development	3,337
Interest and trustee fees	179,249
Transfer to City	-
Total operating expenses	<u>182,586</u>
CHANGE IN FIDUCIARY NET ASSETS	<u>391,935</u>
NET ASSETS (DEFICIT):	
Beginning of year	(5,777,320)
End of year	<u>\$ (5,385,385)</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, 2019

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 190 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, 2019

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, 2019

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, 2019

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, deferred charges on the city's pension plans reported on 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, deferred inflows on the City's pension plans 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019. 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.

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, 2019

2. CASH AND INVESTMENTS

At June 30, 2019, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair Market Value		
	<1	1 to 3	3 to 5				
<u>Cash equivalents and investments pooled</u>							
Pooled cash, at fair value							
Cash in bank	\$ -	\$ -	\$ -	\$ 17,564,598	\$ 17,564,598		
Petty cash	-	-	-	1,425	1,425		
Total pooled items	-	-	-	17,566,023	17,566,023		
<u>Pooled investments, at fair value</u>							
Interest obligations							
<u>Par</u>	<u>Rate</u>						
744,500	1.125 - 2.750%	Federal Agency Securities	1,450,321	3,138,108	3,233,736	-	7,822,165
800,000	1.250 - 2.625%	Corporate notes	749,767	50,535	-	-	800,302
5,985,000	0.875 - 2.625%	US Treasury Notes	1,050,136	2,997,605	1,938,326	-	5,986,067
		Cash equivalent	36,364	-	-	-	36,364
		State of California Local Agency Investment Fund	6,494,403	-	-	-	6,494,403
		Total pooled investments - interest obligations	9,780,991	6,186,248	5,172,062	-	21,139,301
		Total cash equivalents and investments pooled	\$ 9,780,991	\$ 6,186,248	\$ 5,172,062	\$ 17,566,023	\$ 38,705,324

Amounts reported in:

Governmental activities	\$ 17,709,511
Governmental activities - Restricted	2,770,677
Business-type activities	18,208,329
Fiduciary activities	16,807
Total	\$ 38,705,324

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal agency securities	\$ 7,822,165	2.57
Corporate notes	800,302	1.20
U.S. Treasury notes	5,986,067	-
Money market funds	36,364	2.71
State investment pool	6,494,403	-
Total fair value	\$ 21,139,301	
Portfolio weighted average maturity		1.72

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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, 2019, 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, 2019

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, 2019, 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 1.77% 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, 2019

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, 2019, the carrying amount of the City's deposits was \$11,640,654 and the balances in financial institutions were \$12,202,437. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$11,942,437 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, 2019, 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, 2019 was \$24,584,685,280 of which the City had a balance of \$6,494,403. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2019 has a portfolio with market valuation of \$106,046,486,000 thousand. Of the total invested, 98.23% was invested in non-derivative financial products and 1.77% 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, 2019

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 114,204	\$ -	\$ 114,204
Intergovernmental	2,697,562	-	2,697,562
Interest	41,429	-	41,429
Taxes	594,907	-	594,907
	<u>\$ 3,448,102</u>	<u>\$ -</u>	<u>\$ 3,448,102</u>
Business-type activities			
Accounts receivable	\$ 1,253,723	\$ (55,900)	\$ 1,197,823
Intergovernmental	580,101	-	580,101
	<u>\$ 1,833,824</u>	<u>\$ (55,900)</u>	<u>\$ 1,777,924</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	74.10%
Individuals/Business	25.90%

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, 2019, consisted of the following:

	<u>Beginning</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>June 30, 2019</u>
Community Development Block Grant	\$ 7,909,412	\$ 74,802	\$ (495,084)	\$ 7,489,130
HOME loans	10,566,880	76,738	(373,988)	10,269,630
Basic business revolving loans	76,480	-	(6,649)	69,831
Mobile home park low income housing assistance	1,721,299	-	-	1,721,299
First time home buyers	116,439	-	(29,136)	87,303
Rehabilitation loans	880,000	-	-	880,000
Housing successor loans	2,358,686	-	(208)	2,358,478
Total loans/notes receivable	<u>\$ 23,629,196</u>	<u>\$ 151,540</u>	<u>\$ (905,065)</u>	<u>\$ 22,875,671</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

4. LOANS AND NOTES RECEIVABLE, *continued*

The following is a summary of the loans and notes receivable outstanding as of June 30, 2019:

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, 2019, was \$7,489,130.

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, 2019, was \$10,269,630.

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, 2019, was \$69,831.

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, 2019, 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, 2019, was \$87,303.

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, 2019, 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 \$8,751,178 of these assets to the Successor Agency.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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, 2019, the balance of this promissory note was \$2,358,478.

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
<u>Governmental activities:</u>					
Nondepreciable assets:					
Land	\$ 16,535,081	\$ 658,740	\$ -	\$ -	\$ 17,193,821
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	16,625,106	658,740	-	-	17,283,846
Depreciable assets:					
Buildings and structures	12,244,764	70,442	-	-	12,315,206
Furniture and equipment	5,613,176	113,093	(10,432)	(56,998)	5,658,839
Improvements	11,540,381	322,936	-	56,998	11,920,315
Infrastructure	44,850,104	-	-	-	44,850,104
Vehicles	4,427,930	522,194	(241,271)	-	4,708,853
Total depreciable assets	78,676,355	1,028,665	(251,703)	-	79,453,317
Total	95,301,461	1,687,405	(251,703)	-	96,737,163
Accumulated depreciation:					
Buildings and structures	(7,265,032)	(270,243)	-	-	(7,535,275)
Furniture and equipment	(4,825,643)	(136,526)	4,955	-	(4,957,214)
Improvements	(3,457,644)	(321,271)	-	-	(3,778,915)
Infrastructure	(40,209,246)	(149,044)	-	-	(40,358,290)
Vehicles	(3,603,960)	(265,944)	241,272	-	(3,628,632)
Total accumulated depreciation	(59,361,525)	(1,143,028)	246,227	-	(60,258,326)
Net depreciable assets	19,314,830	(114,363)	(5,476)	-	19,194,991
Total net capital assets	\$ 35,939,936	\$ 544,377	\$ (5,476)	\$ -	\$ 36,478,837

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

General government	\$ 151,597
Public safety	77,137
Public works	426,492
Community development	85,631
Parks and recreation	110,301
Central Garage	277,172
Information Technology	14,698
	<u>\$ 1,143,028</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS, *continued*

Business-type capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 7,569,579		\$ -	\$ -	\$ 7,569,579
Total nondepreciable assets	<u>7,569,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,569,579</u>
Depreciable assets:					
Underground facilities	8,559,327	4,577,450	-	-	13,136,777
Buildings and structures	9,282,226	61,013	-	-	9,343,239
Furniture and equipment	3,021,308	19,270	-	-	3,040,578
Other improvements	8,635,670	829,404	-	-	9,465,074
Vehicles	2,776,851	-	-	-	2,776,851
Total depreciable assets	<u>32,275,382</u>	<u>5,487,137</u>	<u>-</u>	<u>-</u>	<u>37,762,519</u>
Total	<u>39,844,961</u>	<u>5,487,137</u>	<u>-</u>	<u>-</u>	<u>45,332,098</u>
Accumulated depreciation:					
Undergrounding facilities	(4,893,868)	(208,765)	-	-	(5,102,633)
Buildings and structures	(6,993,456)	(229,372)	-	-	(7,222,828)
Furniture and equipment	(2,871,787)	(42,306)	-	-	(2,914,093)
Other improvements	(3,535,151)	(157,988)	-	-	(3,693,139)
Vehicles	(1,593,304)	(129,492)	-	-	(1,722,796)
Total accumulated depreciation	<u>(19,887,566)</u>	<u>(767,923)</u>	<u>-</u>	<u>-</u>	<u>(20,655,489)</u>
Net depreciable assets	<u>12,387,816</u>	<u>4,719,214</u>	<u>-</u>	<u>-</u>	<u>17,107,030</u>
Total net capital assets	<u>\$ 19,957,395</u>	<u>\$ 4,719,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,676,609</u>

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

Water	\$ 153,880
Wastewater	393,520
Transit	178,930
Solid Waste	219
Stormwater	41,374
	<u>\$ 767,923</u>

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 991,872	\$ 1,702,036	\$ 2,693,908
Accrued payroll and related liabilities	490,489	155,763	646,252
Total	<u>\$ 1,482,361</u>	<u>\$ 1,857,799</u>	<u>\$ 3,340,160</u>

These amounts resulted in the following concentrations in payables:

Vendors	81%
Employees	19%

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

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 15,293	\$ -	\$ (15,293)	\$ -	\$ -
2015 Refunding of 2008 Lease					
Governmental share	880,950	-	(36,750)	844,200	38,150
CalPERS UAL Debt	2,194,000	-	(414,000)	1,780,000	301,000
Total governmental debt	<u>\$ 3,090,243</u>	<u>\$ -</u>	<u>\$ (466,043)</u>	<u>\$ 2,624,200</u>	<u>\$ 339,150</u>
Compensated absences	431,950	28,567	-	460,517	115,129
Net OPEB liability	2,772,195	839,665	-	3,611,860	-
Net Pension liability	15,525,172	-	(112,585)	15,412,587	-
Total other governmental long-term liabilities	<u>18,729,317</u>	<u>868,232</u>	<u>-</u>	<u>19,484,964</u>	<u>115,129</u>
Total governmental activities	<u>\$ 21,819,560</u>	<u>\$ 868,232</u>	<u>\$ (466,043)</u>	<u>\$ 22,109,164</u>	<u>\$ 454,279</u>
Business-type activities					
2015 Refunding of 2008 Loan	\$ 850,000	\$ -	\$ (162,000)	\$ 688,000	\$ 166,000
2015 Refunding of 2008 Lease					
Water Enterprise Share	1,636,050	-	(68,250)	1,567,800	70,850
Total business-type activity debt	<u>2,486,050</u>	<u>-</u>	<u>(230,250)</u>	<u>2,255,800</u>	<u>236,850</u>
Compensated absences	162,521	7,580	-	170,101	42,524
Total business-type activities	<u>\$ 2,648,571</u>	<u>\$ 7,580</u>	<u>\$ (230,250)</u>	<u>\$ 2,425,901</u>	<u>\$ 279,374</u>

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7. LONG-TERM LIABILITIES, *continued*

Governmental Activities

Capital Lease Obligations

The City entered into a lease/purchase agreement to purchase a new telephone system. The lease obligation is payable through fiscal year 2019, at which time the buyout will be \$1. The lease obligation, proceeds, and the related asset was recorded in the internal service fund. The principal balance of the capital lease as of June 30, 2019, was \$0.

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, 2016. The loan will mature on January 1, 2035.

CalPERS UAL Debt

In fiscal year 2016, the City authorized and directed the execution and delivery of its City of Arcata, Series 2015 Refunding Lease Obligation with Umpqua Bank in the amount of \$3,226,000 to refinance a portion of the City's unfunded accrued actuarial liability with California Public Employee's Retirement System (CalPERS). Under the City's contract with CalPERS the City is obligated to make certain payments to CalPERS in respect of retired public safety and miscellaneous employees under the Side Fund program of CalPERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.5%. Debt service will be funded from the revenue of the general fund. The interest rate is 3.75%. The principal installments and interest are payable annually beginning on December 1, 2016 and the final payment will be made on June 1, 2029.

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.

Fiduciary Activities

2015 Tax Allocation Refunding 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.

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

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 \$630,618 at June 30, 2019, of that amount \$157,653 is expected to be paid within a year.

Debt Service

Future debt service for Governmental Activities at June 30, 2019, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	2015 Refunding of 2008 Lease Governmental Share		CalPERS UAL Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 38,150	\$ 35,034	\$ 301,000	\$ 63,956	\$ 339,150	\$ 98,990
2021	39,900	33,451	279,000	52,875	318,900	86,326
2022	41,300	31,795	255,000	42,638	296,300	74,433
2023	43,050	30,081	230,000	33,300	273,050	63,381
2024	44,800	28,295	202,000	24,938	246,800	53,233
2025 - 2029	254,800	111,886	513,000	39,450	767,800	151,336
2030 - 2034	311,850	54,469	-	-	311,850	54,469
2035 - 2037	70,350	2,920	-	-	70,350	2,920
Total	\$ 844,200	\$ 327,931	\$ 1,780,000	\$ 257,157	\$ 2,624,200	\$ 585,088
Due within one year	\$ 38,150	\$ 35,034	\$ 301,000	\$ 63,956	\$ 339,150	\$ 98,990
Due after one year	806,050	292,897	1,479,000	193,201	2,285,050	486,098
Total	\$ 844,200	\$ 327,931	\$ 1,780,000	\$ 257,157	\$ 2,624,200	\$ 585,088

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7. LONG-TERM LIABILITIES, continued

Future debt service for Business-type Activities at June 30, 2019, is as follows:

Year Ending June 30,	Business Type Activities					
	2015 Refunding of 2008 Loan		2015 Refunding of 2008 Lease Water Enterprise share		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 166,000	\$ 14,339	\$ 70,850	\$ 65,064	\$ 236,850	\$ 79,403
2021	170,000	10,357	74,100	62,123	244,100	72,480
2022	174,000	6,281	76,700	59,048	250,700	65,329
2023	178,000	2,109	79,950	55,865	257,950	57,974
2024	-	-	83,200	52,547	83,200	52,547
2025 - 2029	-	-	473,200	207,788	473,200	207,788
2030 - 2034	-	-	579,150	101,157	579,150	101,157
2035 - 2037	-	-	130,650	5,422	130,650	5,422
Total	\$ 688,000	\$ 33,086	\$ 1,567,800	\$ 609,014	\$ 2,255,800	\$ 642,100
Due within one year	\$ 166,000	\$ 14,339	\$ 70,850	\$ 65,064	\$ 236,850	\$ 79,403
Due after one year	522,000	18,747	1,496,950	543,950	2,018,950	562,697
Total	\$ 688,000	\$ 33,086	\$ 1,567,800	\$ 609,014	\$ 2,255,800	\$ 642,100

8. NET POSITION/ FUND BALANCES

Net position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 33,854,637	\$ 22,657,659	\$ 56,512,296
Restricted	3,509,147	-	3,509,147
Unrestricted	23,149,323	13,254,983	36,404,306
Total	\$ 60,513,107	\$ 35,912,642	\$ 96,425,749

- 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, 2019:

Nonspendable:	
Inventory	\$ 128,103
Total Nonspendable	\$ 128,103
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 848,970
Housing Revolving	1,228,384
Traffic Safety	50,730
Gas Tax	540,572
Federal Grants	840,488
Total Restricted	\$ 3,509,144

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:

	<u>As of</u> <u>June 30, 2019</u>
Nonmajor Special Revenue Funds:	
Federal Grant Funds:	
HUD Block Grant	\$ (9,153)
Total Nonmajor Funds	<u>(9,153)</u>
Total Fund Balance Deficits	<u><u>\$ (9,153)</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.

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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, 2019:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 27,078	\$ 27,078
CDBG Housing	22,865	-
Basic Business Loan Revolving	11,000	-
Total Major Funds	<u>60,943</u>	<u>27,078</u>
Nonmajor Funds:		
Public Improvement Program	-	11,000
Federal Grant Funds	-	22,865
Total Nonmajor Funds	<u>-</u>	<u>33,865</u>
Total Governmental Funds	<u>60,943</u>	<u>60,943</u>
Total Transfers	<u>\$ 60,943</u>	<u>\$ 60,943</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.

City of Arcata, California
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9. INTERFUND TRANSACTIONS, *continued*

Transfers consisted of the following at June 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 10,000	\$ 985,898
Total Major Funds	<u>10,000</u>	<u>985,898</u>
Nonmajor Funds:		
Traffic Safety	170,732	-
Industrial Park	-	1,000
GAS Tax Funds	844,820	-
Federal Grant Funds	-	75,000
In Lieu Fee Funds	-	6,000
Assessment District Funds	-	28,000
Total Nonmajor Funds	<u>1,015,552</u>	<u>110,000</u>
Total Governmental Funds	<u>1,025,552</u>	<u>1,095,898</u>
<u>Proprietary Funds</u>		
Water Fund	-	64,500
Wastewater Fund	-	64,500
Solid Waste Fund	-	35,000
Stormwater Utility Fund	234,346	-
Total Proprietary Funds	<u>234,346</u>	<u>164,000</u>
Total Transfers	<u>\$ 1,259,898</u>	<u>\$ 1,259,898</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, 2019, the most recent period available:

Total assets	\$ 31,189,650
Total deferred outflows of resources	659,765
Total liabilities	(30,229,545)
Total Deferred inflows of resources	(216,372)
Members' equity	<u>\$ 1,403,498</u>
Total revenue	\$ 26,443,540
Total expense	(25,661,506)
Operating income (loss)	<u>\$ 782,034</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.

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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, 2019, are summarized as follows:

	Miscellaneous	Miscellaneous Second Tier
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
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	11.675%	8.418%
	PEPRA Miscellaneous	Safety Plan
Hire date	On or after January 1, 2013	On or after January 1, 2013
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	6.53%	19.723%
	Safety Second Tier	PEPRA Safety Police
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	16.824%	11.990%

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, 2019, 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	\$ 312,828	\$ 14,705	\$ 104,098	\$ 169,981	\$ 37,221	\$ 74,808
Contributions - employee	\$ 300,024	\$ 21,525	\$ 143,138	\$ 114,097	\$ 29,899	\$ 94,845

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

As of June 30, 2019, 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	\$ 13,238,704
Safety	7,204,004
Total Net Pension Liability	<u>\$ 20,442,708</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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2016 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safey</u>
Proportion - June 30, 2018	0.34198%	0.11894%
Proportion - June 30, 2019	<u>0.35128%</u>	<u>0.12278%</u>
Change - Increase (Decrease)	0.00930%	0.00384%

For the year ended June 30, 2016, the City recognized pension expense of \$2,094,973. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes in assumptions	\$ 1,750,837	\$ -
Differences between expected and actual experiences	489,297	-
Net differences between projected and actual earnings on plan investments	114,223	-
Differences between the employer's contributions and the employer's proportionate share of the contributions	160,907	1,326,560
Adustments due to differences in proportion	427,791	616,210
Pension contributions subsequent to measurement date	<u>1,649,683</u>	<u>-</u>
Total	<u>\$ 4,592,738</u>	<u>\$ 1,942,770</u>

\$1,649,683 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended 30-Jun</u>	
2020	\$ 1,060,282
2021	847,681
2022	(738,706)
2023	(168,973)
2024	-
Thereafter	-

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

Actuarial Assumptions -The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Assumptions	
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funs
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

The underlying mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 2007 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Year 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.55%	-90.00%

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

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability as of			
June 30, 2018			
Miscellaneous	\$ 20,578,444	\$ 13,238,704	\$ 7,179,869
Safety	11,137,168	7,204,004	3,981,480
Total	<u>\$ 31,715,612</u>	<u>\$ 20,442,708</u>	<u>\$ 11,161,349</u>

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

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS, *continued*

Employees Covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees Receiving Benefits	23
Inactive Employees Entitled to But Not Receiving Benefits	0
Participating Active Employees	118
Total Number of participants	141

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Salary Increases	2.75% per annum
Investment Rate of Return	6.50%
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	4.00%

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾ The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS, *continued*

Asset Class Component	<u>CERBT Strategy 2</u>	<u>Rate of Return</u>
US Large Cap	40%	7.7950%
US Small Cap	10%	7.7950%
Long-Term Corporate Bon	18%	5.2950%
Long-Term Government B	6%	4.5000%
Treasury Inflation Protecte	15%	7.7950%
US Real Estate	8%	7.7950%
All Commodities	3%	7.7950%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2018	\$ 3,259,685	\$ 487,490	\$ 2,772,195
Changes for the year			
Service Cost	197,701	-	197,701
Interest	210,984	-	210,984
Expected Investment Income	-	31,673	(31,673)
Administrative expenses	-	(417)	417
Employer Contributions as Benefit Payments	-	225,244	(225,244)
Actual Benefit Payments from Employer	(225,244)	(225,244)	-
Experience Gains/Losses	(278,533)	-	(278,533)
Changes in Assumptions	968,799	-	968,799
Investment Gains/Losses	-	2,786	(2,786)
Net Changes	873,707	34,042	839,665
Balance at 6/30/2019*	\$ 4,133,392	\$ 521,532	\$ 3,611,860

*May include a slight rounding error

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS, Continued

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

The discount rate used for the fiscal year end 2019 is 6.5%. The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

Change in Discount Rate	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 3,936,347	\$ 3,611,860	\$ 3,321,477

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

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

Change in Healthcare Cost Trend Rate	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 3,331,769	\$ 3,611,860	\$ 3,906,297

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2019)

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST EMPLOYMENT BENEFITS, Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$423,828. As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 259,585
Changes in assumptions	902,894	-
Net difference between projected and actual earnings on plan investments	-	2,228
Total	<u>\$ 902,894</u>	<u>\$ 261,813</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2020	\$ 46,399
2021	46,399
2022	46,399
2023	46,403
2024	46,957
Thereafter	556,524

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, 2019

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, 2019

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, 2019:

Trust Activities:	Balance	Additions	Retirements	Balance	Due Within
	July 1, 2018			June 30, 2019	One Year
2015 Tax Allocation Refunding Bonds	\$ 5,407,891	\$ -	\$ (386,483)	\$ 5,021,408	\$ 340,144
Total trust fund debt	\$ 5,407,891	\$ -	\$ (386,483)	\$ 5,021,408	\$ 340,144

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, 2019, is as follows:

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2020	\$ 340,144	\$ 164,904
2021	215,999	154,398
2022	144,103	148,373
2023	149,793	143,539
2024	322,783	138,431
2025-2029	2,672,657	449,221
2030-2034	1,175,929	51,465
Total	\$ 5,021,408	\$ 1,250,331
Due within one year	\$ 340,144	\$ 164,904
Due after one year	4,681,264	1,085,427
Total	\$ 5,021,408	\$ 1,250,331

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

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, 2019.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no effect on these financial statements.

The GASB has issued Statement No. 84, "*Fiduciary Activities*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 87, "*Leases*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2019

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*" The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement had no effect on these financial statements.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

The GASB has issued Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2020.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION



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City of Arcata, California
Required Supplementary Information - Schedule of
Changes in the Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30,

	2019	2018
Total OPEB Liability		
Service Cost	\$ 197,701	\$ 187,260
Interest on the total OPEB liability	210,984	193,076
Differences between expected and actual experience	(278,533)	-
Changes of benefit terms	-	-
Changes of assumptions	968,799	-
Benefit payments	(225,244)	-
Net change in total OPEB liability	873,707	380,336
Total OPEB liability - beginning	3,259,685	2,879,349
Total OPEB liability - ending (a)	\$ 4,133,392	\$ 3,259,685
Plan fiduciary net position		
Expected investment income	\$ 31,673	\$ -
Contributions - employer	-	500,000
Contributions - employee	-	-
Actual investment income	2,786	(12,338)
Administrative expense	(417)	(172)
Net change in plan fiduciary net position	34,042	487,490
Plan fiduciary net position - beginning	487,490	-
Plan fiduciary net position - ending (b)	\$ 521,532	\$ 487,490
Net OPEB liability - ending (a) - (b)	\$ 3,611,860	\$ 2,772,195
Covered-employee payroll	\$ 6,635,743	\$ 6,229,622
Net OPEB liability as a percentage of covered-employee payroll	54.43%	44.50%

Notes to Schedule

1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the initial year of implementation, only one year is currently available

City of Arcata, California

Required Supplementary Information - Net OPEB Liability Schedule of Contributions

June 30, 2019

Fiscal Year Ended June 30,	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ 500,000
Contributions in relation to the ADC	-	500,000
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll		6,229,622
Contributions as a percentage of covered-employee payroll		8.03%

Notes to Schedule

- 1) GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the initial year of implementation, only one year is currently available

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution (actuarially determined)	\$ 902,985	\$ 849,162	\$ 529,092
Contributions in relation to the actuarially determined contributions	<u>(902,985)</u>	<u>(849,162)</u>	<u>(529,092)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,958,187	\$ 4,735,901	\$ 4,761,772
Contribution as a percentage of covered-employee payroll	18.21%	17.93%	11.11%

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.

*Additional years will be presented as they become available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution (actuarially determined)	\$ 746,698	\$ 476,322	\$ 519,850
Contributions in relation to the actuarially determined contributions	<u>(746,698)</u>	<u>(476,322)</u>	<u>(519,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,677,556	\$ 1,493,721	\$ 1,654,498
Contribution as a percentage of covered-employee payroll	44.51%	31.89%	31.42%

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.

*Additional years will be presented as they become 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>2019</u>	<u>2018</u>	<u>2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.35128%	0.34198%	0.34460%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 13,238,704	\$ 13,481,206	\$ 11,971,084
Plan's Covered-Employee Payroll	\$ 4,958,187	\$ 4,735,901	\$ 4,761,772
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	267.01%	284.66%	251.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.60%	74.31%	74.83%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 1,562,524	\$ 1,475,506	\$ 1,325,580

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.

*Additional years will be presented as they become 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>2019</u>	<u>2018</u>	<u>2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.12278%	0.11894%	0.12179%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 7,204,004	\$ 7,106,979	\$ 6,307,600
Plan's Covered-Employee Payroll	\$ 1,677,556	\$ 1,493,721	\$ 1,654,498
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	429.43%	475.79%	381.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.75%	73.88%	74.66%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 899,707	\$ 693,799	\$ 642,026

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.

* Additional years will be presented as they become 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, 2019

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
ASSETS			
Cash and investments	\$ 4,024,522	\$ 161,133	\$ 4,185,655
Restricted cash and investments	2,770,677	-	2,770,677
Receivables:			
Intergovernmental	303,065	-	303,065
Loans/Notes receivable	2,358,478	-	2,358,478
Due from other funds	-	-	-
Due from successor agency	179,512	-	179,512
Inventory	126,116	-	126,116
Total assets	<u>\$ 9,762,370</u>	<u>\$ 161,133</u>	<u>\$ 9,923,503</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 322,779	\$ -	\$ 322,779
Due to other funds	33,865	-	33,865
Deposits Payable	25,477	-	25,477
Total liabilities:	<u>382,121</u>	<u>-</u>	<u>382,121</u>
Deferred inflows of resources:			
Unavailable revenue	2,358,477	-	2,358,477
Total deferred inflows of resources	<u>2,358,477</u>	<u>-</u>	<u>2,358,477</u>
Total liabilities and deferred inflows	<u>2,740,598</u>	<u>-</u>	<u>2,740,598</u>
Fund Balances:			
Nonspendable	126,116	-	126,116
Restricted	1,431,793	-	1,431,793
Assigned	5,473,016	161,133	5,634,149
Unassigned (deficit)	(9,153)	-	(9,153)
Total fund balances	<u>7,021,772</u>	<u>161,133</u>	<u>7,182,905</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,762,370</u>	<u>\$ 161,133</u>	<u>\$ 9,923,503</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2019

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund	
REVENUES:			
Taxes and assessments	\$ 33,780	\$ -	\$ 33,780
Licenses and permits	-	-	-
Fines and forfeitures	78,076	-	78,076
Intergovernmental	1,998,505	-	1,998,505
Use of money and property	445,142	3,328	448,470
Reimbursements	-	-	-
Other revenues	701,314	-	701,314
Total revenues	3,256,817	3,328	3,260,145
EXPENDITURES:			
Current:			
Public safety	246,426	-	246,426
Public works	1,076,532	-	1,076,532
Community development	313,859	-	313,859
Parks and recreation	331,798	-	331,798
Capital outlay	1,275,808	-	1,275,808
Total expenditures	3,244,423	-	3,244,423
REVENUES OVER (UNDER) EXPENDITURES	12,394	3,328	15,722
OTHER FINANCING SOURCES (USES):			
Transfer from fiduciary activities	-	-	-
Transfers in	1,015,552	-	1,015,552
Transfers out	(110,000)	-	(110,000)
Total other financing sources (uses)	905,552	-	905,552
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	917,946	3,328	921,274
FUND BALANCES:			
Beginning of year	6,103,826	157,805	6,261,631
End of year	\$ 7,021,772	\$ 161,133	\$ 7,182,905

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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: 2105 2106 2107 & 2107.5	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.
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	
Mad River	

(concluded)

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City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019

	Forest Management	Traffic Safety	Industrial Park
ASSETS			
Cash and investments	\$ 717,816	\$ 53,824	\$ 377,087
Restricted cash and investments	-	-	-
Receivables:			
Intergovernmental	125,000	18,014	-
Loans/Notes receivable	-	-	-
Due from successor agency	-	-	-
Inventory	-	123,722	-
Total assets	\$ 842,816	\$ 195,560	\$ 377,087
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,016	\$ 21,108	\$ 14,607
Due to other funds	-	-	-
Deposits payable	-	-	25,477
Total liabilities:	6,016	21,108	40,084
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources:	-	-	-
Total liabilities and deferred inflows	6,016	21,108	40,084
Fund Balances:			
Nonspendable	-	123,722	-
Restricted	-	50,730	-
Committed	-	-	-
Assigned	836,800	-	337,003
Unassigned (deficit)	-	-	-
Total fund balances	836,800	174,452	337,003
Total liabilities deferred inflows and fund balances	\$ 842,816	\$ 195,560	\$ 377,087

Housing Improvement Projects	Public Improvement Program	2107 & 2107.5 Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ 353,047	\$ 528,245	651,880	\$ 861,793	\$ 450,136	\$ 30,694	\$ 4,024,522
-	2,770,677	-	-	-	-	2,770,677
2,055	-	157,879	-	-	117	303,065
2,358,478	-	-	-	-	-	2,358,478
-	179,512	-	-	-	-	179,512
-	-	2,394	-	-	-	126,116
<u>\$ 2,713,580</u>	<u>\$ 3,478,434</u>	<u>\$ 812,153</u>	<u>\$ 861,793</u>	<u>\$ 450,136</u>	<u>\$ 30,811</u>	<u>\$ 9,762,370</u>
\$ 3,012	\$ 1,259	269,187	\$ 7,590	\$ -	\$ -	\$ 322,779
-	11,000	-	22,865	-	-	33,865
-	-	-	-	-	-	25,477
<u>3,012</u>	<u>12,259</u>	<u>269,187</u>	<u>30,455</u>	<u>-</u>	<u>-</u>	<u>382,121</u>
<u>2,358,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,358,477</u>
<u>2,358,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,358,477</u>
<u>2,361,489</u>	<u>12,259</u>	<u>269,187</u>	<u>30,455</u>	<u>-</u>	<u>-</u>	<u>2,740,598</u>
-	-	2,394	-	-	-	126,116
-	-	540,572	840,491	-	-	1,431,793
-	-	-	-	-	-	-
352,091	3,466,175	-	-	450,136	30,811	5,473,016
-	-	-	(9,153)	-	-	(9,153)
<u>352,091</u>	<u>3,466,175</u>	<u>542,966</u>	<u>831,338</u>	<u>450,136</u>	<u>30,811</u>	<u>7,021,772</u>
<u>\$ 2,713,580</u>	<u>\$ 3,478,434</u>	<u>\$ 812,153</u>	<u>\$ 861,793</u>	<u>\$ 450,136</u>	<u>\$ 30,811</u>	<u>\$ 9,762,370</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, 2019

	Forest Management	Traffic Safety	Industrial Park
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Fines and forfeitures	-	78,076	-
Intergovernmental	677,144	-	-
Use of money and property	16,586	559	251,485
Other revenues	651,893	-	-
Total revenues	<u>1,345,623</u>	<u>78,635</u>	<u>251,485</u>
EXPENDITURES:			
Current:			
Public safety	-	246,426	-
Public works	-	-	-
Community development	-	-	173,640
Parks and recreation	331,798	-	-
Capital outlay	691,701	-	34,501
Total expenditures	<u>1,023,499</u>	<u>246,426</u>	<u>208,141</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>322,124</u>	<u>(167,791)</u>	<u>43,344</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	170,732	-
Transfers out	-	-	(1,000)
Total other financing sources and uses	<u>-</u>	<u>170,732</u>	<u>(1,000)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>322,124</u>	<u>2,941</u>	<u>42,344</u>
FUND BALANCES (DEFICITS):			
Beginning of year	<u>514,676</u>	<u>171,511</u>	<u>294,659</u>
End of year	<u>\$ 836,800</u>	<u>\$ 174,452</u>	<u>\$ 337,003</u>

Housing Improvement Projects	Public Improvement Program	2107 & 2107.5 Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,780	\$ 33,780
-	-	-	-	-	-	78,076
-	-	916,833	404,528	-	-	1,998,505
7,825	131,498	11,244	16,098	9,353	494	445,142
19,818	-	29,603	-	-	-	701,314
27,643	131,498	957,680	420,626	9,353	34,274	3,256,817
-	-	-	-	-	-	246,426
-	-	1,076,532	-	-	-	1,076,532
61,043	12,646	-	66,530	-	-	313,859
-	-	-	-	-	-	331,798
-	-	549,606	-	-	-	1,275,808
61,043	12,646	1,626,138	66,530	-	-	3,244,423
(33,400)	118,852	(668,458)	354,096	9,353	34,274	12,394
-	-	844,820	-	-	-	1,015,552
-	-	-	(75,000)	(6,000)	(28,000)	(110,000)
-	-	844,820	(75,000)	(6,000)	(28,000)	905,552
(33,400)	118,852	176,362	279,096	3,353	6,274	917,946
385,491	3,347,323	366,604	552,242	446,783	24,537	6,103,826
\$ 352,091	\$ 3,466,175	\$ 542,966	\$ 831,338	\$ 450,136	\$ 30,811	\$ 7,021,772

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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 3,754,000	\$ 3,754,000	\$ 677,144	\$ (3,076,856)
Use of money and property	1,500	1,500	16,586	15,086
Other revenues	576,217	576,217	651,893	75,676
Total revenues	4,331,717	4,331,717	1,345,623	(2,986,094)
EXPENDITURES:				
Current:				
Parks and recreation	370,190	370,190	331,798	38,392
Capital outlay	3,769,850	3,769,850	691,701	3,078,149
Total expenditures	4,140,040	4,140,040	1,023,499	3,116,541
REVENUES OVER (UNDER) EXPENDITURES	191,677	191,677	322,124	130,447
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	191,677	191,677	322,124	130,447
FUND BALANCES (DEFICIT):				
Beginning of year	514,676	514,676	514,676	-
End of year	\$ 706,353	\$ 706,353	\$ 836,800	\$ 130,447

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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 78,076	\$ (21,924)
Use of money and property	500	500	559	59
Total revenues	100,500	100,500	78,635	(21,865)
EXPENDITURES:				
Current:				
Public safety	271,232	\$ 271,232	246,426	24,806
Total expenditures	271,232	271,232	246,426	24,806
REVENUES OVER (UNDER) EXPENDITURES	(170,732)	(170,732)	(167,791)	2,941
OTHER FINANCING SOURCES (USES):				
Transfers in	170,732	170,732	170,732	-
Total other financing sources (uses)	170,732	170,732	170,732	-
Net change in fund balances	-	-	2,941	2,941
FUND BALANCES:				
Beginning of year	171,511	171,511	171,511	-
End of year	\$ 171,511	\$ 171,511	\$ 174,452	\$ 2,941

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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 242,000	\$ 242,000	\$ 251,485	\$ 9,485
Other revenues	38,000	38,000	-	(38,000)
Total revenues	280,000	280,000	251,485	(28,515)
EXPENDITURES:				
Current:				
Community development	318,242	318,242	173,640	144,602
Capital outlay	289,261	289,261	34,501	254,760
Total expenditures	607,503	607,503	208,141	399,362
REVENUES OVER (UNDER)				
EXPENDITURES	(327,503)	(327,503)	43,344	370,847
OTHER FINANCING SOURCES (USES):				
Transfers out	1,000	1,000	1,000	-
Total other financing sources (uses)	1,000	1,000	1,000	-
Net change in fund balances	(326,503)	(326,503)	44,344	370,847
FUND BALANCES (DEFICIT):				
Beginning of year	294,659	294,659	294,659	-
End of year	\$ (31,844)	\$ (31,844)	\$ 339,003	\$ 370,847

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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 65,600	\$ 65,600	\$ 131,498	\$ 65,898
Total revenues	65,600	65,600	131,498	65,898
EXPENDITURES:				
Current:				
Community development	250,609	250,609	12,646	237,963
Total expenditures	250,609	250,609	12,646	237,963
REVENUES OVER (UNDER) EXPENDITURES	(185,009)	(185,009)	118,852	303,861
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(185,009)	(185,009)	118,852	303,861
FUND BALANCES (DEFICIT):				
Beginning of year	3,347,323	3,347,323	3,347,323	-
End of year	\$ 3,162,314	\$ 3,162,314	\$ 3,466,175	\$ 303,861

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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,730,455	\$ 1,730,455	\$ 916,833	\$ (813,622)
Use of money and property	2,000	2,000	11,244	9,244
Reimbursements	5,000	5,000	28,603	23,603
Other revenues	1,000	1,000	1,000	-
Total revenues	1,738,455	1,738,455	957,680	(780,775)
EXPENDITURES:				
Current:				
Public works	1,340,770	1,340,770	1,076,532	264,238
Capital outlay	1,257,505	1,257,505	549,606	707,899
Total expenditures	2,598,275	2,598,275	1,626,138	972,137
REVENUES OVER (UNDER) EXPENDITURES	(859,820)	(859,820)	(668,458)	191,362
OTHER FINANCING SOURCES (USES):				
Transfers in	844,820	844,820	844,820	-
Transfers out	-	-	-	-
Total other financing sources (uses)	844,820	844,820	844,820	-
Net change in fund balances	(15,000)	(15,000)	176,362	191,362
FUND BALANCES:				
Beginning of year	366,604	366,604	366,604	-
End of year	\$ 351,604	\$ 351,604	\$ 542,966	\$ 191,362

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City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2019

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
ASSETS				
Cash and investments	\$ 21,302	\$ 571,198	\$ -	\$ 269,290
Receivables:				
Intergovernmental	-	-	-	-
Total assets	<u>\$ 21,302</u>	<u>\$ 571,198</u>	<u>\$ -</u>	<u>\$ 269,290</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,590	\$ -	\$ -	\$ -
Due to other funds	22,865	-	-	-
Total liabilities	<u>30,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-	571,198	-	269,290
Unassigned (deficit)	(9,153)	-	-	-
Total fund balances	<u>(9,153)</u>	<u>571,198</u>	<u>-</u>	<u>269,290</u>
Total liabilities and fund balances	<u>\$ 21,302</u>	<u>\$ 571,198</u>	<u>\$ -</u>	<u>\$ 269,290</u>

HOME Grants	Totals
\$ 3	\$ 861,793
-	-
<u>\$ 3</u>	<u>\$ 861,793</u>
\$ -	\$ 7,590
-	22,865
<u>-</u>	<u>30,455</u>
3	840,491
-	(9,153)
<u>3</u>	<u>831,338</u>
<u>\$ 3</u>	<u>\$ 861,793</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, 2019

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ 80,122	\$ 175,659	\$ -	\$ 148,747
Use of money and property	187	11,389	-	4,519
Total revenues	80,309	187,048	-	153,266
EXPENDITURES:				
Current:				
Public safety	-	-	-	0
Public works	-	-	-	-
Community development	66,530	-	-	-
Capital outlay	-	0	-	-
Total expenditures	66,530	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	13,779	187,048	-	153,266
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(75,000)	-	-
Total other financing sources and uses	-	(75,000)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	13,779	112,048	-	153,266
FUND BALANCES (DEFICIT):				
Beginning of year	(22,932)	459,150	-	116,024
End of year	\$ (9,153)	\$ 571,198	\$ -	\$ 269,290

HOME		Totals	
Grants			
\$	-	\$	404,528
	3		16,098
	3		420,626
	-		-
	-		-
	-		66,530
	-		-
	-		66,530
	3		354,096
	-		-
	-		(75,000)
	-		(75,000)
	3		279,096
	-		552,242
\$	3	\$	831,338

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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 5,295,217	\$ 5,295,217	\$ 80,122	\$ (5,215,095)
Use of money and property	-	-	187	187
Total revenues	<u>5,295,217</u>	<u>5,295,217</u>	<u>80,309</u>	<u>(5,214,908)</u>
EXPENDITURES:				
Current:				
Community development	5,293,909	5,293,909	66,530	5,227,379
Total expenditures	<u>5,293,909</u>	<u>5,293,909</u>	<u>66,530</u>	<u>5,227,379</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>1,308</u>	<u>1,308</u>	<u>13,779</u>	<u>12,471</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	1,308	1,308	13,779	12,471
FUND BALANCES:				
Beginning of year	(22,932)	(22,932)	(22,932)	-
End of year	<u>\$ (21,624)</u>	<u>\$ (21,624)</u>	<u>\$ (9,153)</u>	<u>\$ 12,471</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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 105,000	\$ 105,000	\$ 175,659	\$ 70,659
Use of money and property	3,000	3,000	11,389	8,389
Total revenues	108,000	108,000	187,048	79,048
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	108,000	108,000	187,048	79,048
OTHER FINANCING SOURCES (USES):				
Transfers out	(133,500)	(133,500)	(75,000)	58,500
Total other financing sources (uses)	(133,500)	(133,500)	(75,000)	58,500
Net change in fund balances	(25,500)	(25,500)	112,048	137,548
FUND BALANCES:				
Beginning of year	459,150	459,150	459,150	-
End of year	\$ 433,650	\$ 433,650	\$ 571,198	\$ 137,548

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, 2019

	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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 148,747	\$ 48,747
Use of money and property	100	100	4,519	4,419
Total revenues	<u>100,100</u>	<u>100,100</u>	<u>153,266</u>	<u>53,166</u>
EXPENDITURES:				
Current:				
Public safety	100,000	100,000	-	100,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>100</u>	<u>100</u>	<u>153,266</u>	<u>153,166</u>
Net change in fund balances	100	100	153,266	153,166
FUND BALANCES:				
Beginning of year	116,024	116,024	116,024	-
End of year	<u>\$ 116,124</u>	<u>\$ 116,124</u>	<u>\$ 269,290</u>	<u>\$ 153,166</u>

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City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2019

	Parkland In Lieu	Parking In Lieu	Totals
ASSETS			
Cash and investments	\$ 172,348	\$ 277,788	\$ 450,136
Total assets	\$ 172,348	\$ 277,788	\$ 450,136
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Assigned	172,348	277,788	450,136
Total fund balances	172,348	277,788	450,136
Total liabilities and fund balances	\$ 172,348	\$ 277,788	\$ 450,136

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, 2019

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Licenses and permits	\$ -	\$ -	\$ -
Use of money and property	3,616	5,737	9,353
Total revenues	3,616	5,737	9,353
EXPENDITURES:			
Capital outlay	-	-	-
Total expenditures	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	3,616	5,737	9,353
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(6,000)	-	(6,000)
Total other financing sources and uses	(6,000)	-	(6,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(2,384)	5,737	3,353
FUND BALANCES (DEFICIT):			
Beginning of year	174,732	272,051	446,783
End of year	\$ 172,348	\$ 277,788	\$ 450,136

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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Use of money and property	1,000	1,000	3,616	2,616
Total revenues	19,000	19,000	3,616	(15,384)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	19,000	19,000	3,616	(15,384)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	60,000	60,000	(6,000)	(66,000)
Total other financing sources (uses)	60,000	60,000	(6,000)	(66,000)
Net change in fund balances	79,000	79,000	(2,384)	(81,384)
FUND BALANCES:				
Beginning of year	174,732	174,732	174,732	-
End of year	\$ 253,732	\$ 253,732	\$ 172,348	\$ (81,384)

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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 3,000	\$ 3,000	\$ 5,737	\$ 2,737
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>5,737</u>	<u>2,737</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,000</u>	<u>3,000</u>	<u>5,737</u>	<u>2,737</u>
Net change in fund balances	3,000	3,000	5,737	2,737
FUND BALANCES:				
Beginning of year	<u>272,051</u>	<u>272,051</u>	<u>272,051</u>	<u>-</u>
End of year	<u>\$ 275,051</u>	<u>\$ 275,051</u>	<u>\$ 277,788</u>	<u>\$ 2,737</u>

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City of Arcata, California
Combining Balance Sheet
Assessment District Special Revenue Funds
June 30, 2019

	<u>Curtis Heights</u>	<u>Janes Creek Meadows</u>	<u>Windsong</u>
ASSETS			
Cash and investments	\$ 1,205	\$ 15,566	\$ 6,639
Receivables:			
Intergovernmental	<u>-</u>	<u>26</u>	<u>91</u>
Total assets	<u><u>\$ 1,205</u></u>	<u><u>\$ 15,592</u></u>	<u><u>\$ 6,730</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Assigned	<u>1,205</u>	<u>15,592</u>	<u>6,730</u>
Total fund balances	<u>1,205</u>	<u>15,592</u>	<u>6,730</u>
Total liabilities and fund balances	<u><u>\$ 1,205</u></u>	<u><u>\$ 15,592</u></u>	<u><u>\$ 6,730</u></u>

Mad River Business Park	Totals
7,284	\$ 30,694
-	117
<u>\$ 7,284</u>	<u>\$ 30,811</u>
\$ -	\$ -
-	-
<u>7,284</u>	<u>30,811</u>
<u>7,284</u>	<u>30,811</u>
<u>7,284</u>	<u>\$ 30,811</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, 2019

	Curtis Heights	Janes Creek Meadows	Windsong	Mad River Business Park
REVENUES:				
Taxes and assessments	\$ -	\$ 16,091	\$ 14,850	2,839
Use of money and property	25	260	101	108
Total revenues	<u>25</u>	<u>16,351</u>	<u>14,951</u>	<u>2,947</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>25</u>	<u>16,351</u>	<u>14,951</u>	<u>2,947</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(14,000)	(14,000)	-
Total other financing sources and uses	-	(14,000)	(14,000)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	25	2,351	951	2,947
FUND BALANCES (DEFICIT) :				
Beginning of year	1,180	13,241	5,779	4,337
End of year	<u>\$ 1,205</u>	<u>\$ 15,592</u>	<u>\$ 6,730</u>	<u>\$ 7,284</u>

<u>Totals</u>	
\$	33,780
	494
	<u>34,274</u>
	-
	-
	-
	<u>34,274</u>
	<u>(28,000)</u>
	(28,000)
	6,274
	<u>24,537</u>
\$	<u><u>30,811</u></u>

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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10	\$ 10	\$ 25	\$ 15
Total revenues	<u>10</u>	<u>10</u>	<u>25</u>	<u>15</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>10</u>	<u>10</u>	<u>25</u>	<u>15</u>
Net change in fund balances	10	10	25	15
FUND BALANCES:				
Beginning of year	<u>1,180</u>	<u>1,180</u>	<u>1,180</u>	<u>-</u>
End of year	<u>\$ 1,190</u>	<u>\$ 1,190</u>	<u>\$ 1,205</u>	<u>\$ 15</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, 2019

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 16,091	\$ 1,091
Use of money and property	50	50	260	210
Total revenues	15,050	15,050	16,351	1,301
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	15,050	15,050	16,351	1,301
OTHER FINANCING SOURCES (USES):				
Transfers out	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses)	(14,000)	(14,000)	(14,000)	-
Net change in fund balances	1,050	1,050	2,351	1,301
FUND BALANCES (DEFICIT):				
Beginning of year	13,241	13,241	13,241	-
End of year	<u>\$ 14,291</u>	<u>\$ 14,291</u>	<u>\$ 15,592</u>	<u>\$ 1,301</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, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 14,850	\$ (150)
Use of money and property		50	101	51
Total revenues	15,000	15,050	14,951	(99)
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	15,000	15,050	14,951	(99)
OTHER FINANCING SOURCES (USES):				
Transfers out	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses)	(14,000)	(14,000)	(14,000)	-
Net change in fund balances	1,000	1,050	951	(99)
FUND BALANCES:				
Beginning of year	5,779	5,779	5,779	-
End of year	\$ 6,779	\$ 6,829	\$ 6,730	\$ (99)

City of Arcata, California

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

Mad River Business Park Assessment District Special Revenue Fund

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 3,500	\$ 3,500	2,839	\$ (661)
Use of money and property	10	10	108	98
Total revenues	3,510	3,510	2,947	(563)
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	3,510	3,510	2,947	(563)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in				
Transfers out	14,000	14,000	-	(14,000)
Total other financing sources (uses)	14,000	14,000	-	(14,000)
Net change in fund balances	17,510	17,510	2,947	(14,563)
FUND BALANCES:				
Beginning of year	4,337	4,337	4,337	-
End of year	\$ 21,847	\$ 21,847	\$ 7,284	\$ (14,563)

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, 2019

	Central Garage Fund	Information Technology Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,494,914	\$ 99,615	\$ 1,594,529
Inventory	12,222	-	12,222
Total current assets	1,507,136	99,615	1,606,751
Noncurrent assets:			
Capital assets, net	1,123,261	52,365	1,175,626
Total noncurrent assets	1,123,261	52,365	1,175,626
Total assets	2,630,397	151,980	2,782,377
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	61,569	51,880	113,449
Total assets and deferred outflows of resources	2,691,966	203,860	2,895,826
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 26,982	\$ 1,005	\$ 27,987
Accrued liabilities	11,104	7,442	18,546
Compensated absences - current portion	4,013	1,261	5,274
Total current liabilities	42,099	9,708	51,807
Noncurrent liabilities:			
Compensated absences	12,041	3,783	15,824
Net pension liability	292,765	237,100	529,865
Total liabilities	346,905	250,591	597,496
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	32,965	12,910	45,875
Total deferred inflows of resources	32,965	12,910	45,875
NET POSITION			
Net investment in capital assets	1,123,261	52,365	1,175,626
Unrestricted	1,188,835	(112,006)	1,076,829
Total net position	2,312,096	(59,641)	2,252,455
Total liabilities, deferred inflows of resources and net position	\$ 2,691,966	\$ 203,860	\$ 2,895,826

City of Arcata, California

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

Internal Service Funds

For the year ended June 30, 2019

	Central Garage Fund	Information Technology Fund	Totals
OPERATING REVENUES:			
Interdepartmental charges	\$ 1,185,673	\$ 313,674	\$ 1,499,347
Other	-	20,000	20,000
Total operating revenues	<u>1,185,673</u>	<u>333,674</u>	<u>1,519,347</u>
OPERATING EXPENSES:			
Salaries and benefits	255,931	194,020	449,951
Contractual services	20,267	26,826	47,093
Materials and supplies	302,331	16,939	319,270
Repairs and maintenance	37,542	12,851	50,393
Insurance	151,579	-	151,579
Allocated overhead	35,630	9,580	45,210
Depreciation	277,172	14,698	291,870
Total operating expenses	<u>1,080,452</u>	<u>274,914</u>	<u>1,355,366</u>
OPERATING INCOME (LOSS)	<u>105,221</u>	<u>58,760</u>	<u>163,981</u>
NONOPERATING REVENUES (EXPENSES):			
Proceeds from the sale of capital assets	31,451	-	31,451
Interest revenue	33,090	-	33,090
Interest expense	-	825	825
Total non-operating revenues (expenses)	<u>64,541</u>	<u>825</u>	<u>65,366</u>
NET INCOME (LOSS) BEFORE TRANSFERS	169,762	59,585	229,347
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	169,762	59,585	229,347
NET POSITION (DEFICIT):			
Beginning of year	2,142,334	(119,226)	2,023,108
End of year	<u>\$ 2,312,096</u>	<u>\$ (59,641)</u>	<u>\$ 2,252,455</u>

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2019

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 1,185,673	\$ 333,674	\$ 1,519,347
Cash paid to suppliers for goods and services	(543,883)	(66,176)	(610,059)
Cash paid to employees for services	(243,484)	(183,319)	(426,803)
Net cash provided (used) by operating activities	<u>398,306</u>	<u>84,179</u>	<u>482,485</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	-	-
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	(516,717)	-	(516,717)
Proceeds from the sale of capital assets	31,451	-	31,451
Principal paid on long-term debt	-	(15,293)	(15,293)
Interest paid on long-term debt	-	825	825
Net cash (used) by capital and related financing activities	<u>(485,266)</u>	<u>(14,468)</u>	<u>(499,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	33,090	-	33,090
Net cash provided by investing activities	<u>33,090</u>	<u>-</u>	<u>33,090</u>
Net increase (decrease) in cash and cash equivalents	(53,870)	69,711	15,841
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,548,784	29,904	1,578,688
End of year	<u>\$ 1,494,914</u>	<u>\$ 99,615</u>	<u>\$ 1,594,529</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 105,221	\$ 58,760	\$ 163,981
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	277,172	14,698	291,870
Pension expense	10,173	11,312	21,485
(Increase) decrease in current assets:			
Inventory	6,014	-	6,014
Increase (decrease) in liabilities:			
Accounts payable	(2,548)	20	(2,528)
Accrued liabilities	338	(342)	(4)
Compensated absences	1,936	(269)	1,667
Net cash provided by operating activities	<u>\$ 398,306</u>	<u>\$ 84,179</u>	<u>\$ 482,485</u>

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