

CITY OF ARCATA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



Prepared by:

Janet Luzzi
Finance Director

This page intentionally left blank.



**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal	v
Organization Chart	x
List of Officials	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net position	19
Statement of Activities	20
<i>Fund Financial Statements:</i>	
Governmental Funds:	
Balance Sheet	24
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net position	26
Reconciliation of Fund Basis Balance Sheet to Government-wide	
Statement of Net position – Governmental Activities	27
Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Governmental Funds	28
Reconciliation of Fund Basis Statements to Government-wide	
Statement of Activities	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities.....	31
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Budget to Actual – General Fund and	
Major Special Revenue Funds	32

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

Table of Contents, Continued

	<u>Page</u>
Basic Financial Statements, Continued:	
<i>Fund Financial Statements, Continued:</i>	
Proprietary Funds:	
Statement of Net position – Proprietary Funds	38
Statement of Revenues, Expenses, and Changes in Fund Net position –	
Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds	42
Fiduciary Activities:	
Statement of Fiduciary Net position – Fiduciary Activities	46
Statement of Changes in Fiduciary Net position – Private Purpose Trust Funds.....	47
Notes to Basic Financial Statements	51
Other Supplemental Information:	
Required Supplementary Information:	
Other Postemployment Benefits – Schedule of Funding Progress.....	96
Schedule of Contributions – Miscellaneous Plan	97
Schedule of Contributions – Miscellaneous Second Tier Plan.....	98
Schedule of Contributions – PEPRA Miscellaneous Plan.....	99
Schedule of Contributions – Safety Plan	100
Schedule of Contributions – Safety Second Tier Plan.....	101
Schedule of Contributions – PEPRA Safety Plan.....	102
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Miscellaneous Plan	103
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Miscellaneous Second Tier Plan.....	104
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
PEPRA Miscellaneous Plan.....	105
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Safety Plan	106
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Safety Second Tier Plan.....	107
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
PEPRA Safety Police Plan.....	108

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

Table of Contents, Continued

	Page
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	113
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	120
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Forest Management	122
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Traffic Safety	123
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Industrial Park	124
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Housing Improvement Projects	125
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Public Improvement Program	126
Combining Balance Sheet – Gas Tax Special Revenue Funds	127
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Gas Tax Special Revenue Funds.....	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2105.....	129
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2106.....	130
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2107 and 2107.5.....	131
Combining Balance Sheet – Federal Grant Special Revenue Funds	132
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Federal Grant Special Revenue Funds	134
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – HUD Block Grant.....	136
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – ISTEA Grant.....	137
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – FEMA/OES Grants.....	138

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

Table of Contents, Continued

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules, Continued:	
Nonmajor Special Revenue Funds, Continued:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – COPS Grant.....	139
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – HOME Grant	140
Combining Balance Sheet – In Lieu Fee Special Revenue Funds.....	142
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – In Lieu Fee Special Revenue Funds.....	143
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Parkland in Lieu	144
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Parking in Lieu	145
Combining Balance Sheet – Assessment District Special Revenue Funds	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Assessment District Special Revenue Funds	147
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Curtis Heights.....	148
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Janes Creek Meadow	149
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Windsong.....	150
Internal Service Funds:	
Combining Statement of Net position – Internal Service Funds	152
Combining Statement of Revenues, Expenses, and Changes in Net position – Internal Service Funds	153
Combining Statement of Cash Flows – Internal Service Funds	154



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

January 6, 2017

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, 2016. 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, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City of Arcata

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

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

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

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

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

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

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

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

The City of Arcata is committed to providing high quality services in an economical manner. For fiscal year 2015/16, the City's efforts were focused in the following areas.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. During the fiscal year, the City accomplished the following projects relating to economic development:

- Establishment of a Medical Marijuana Innovation Zone – Due to the changing social-economic environment related to medical marijuana industry, the City worked hard to develop and implement a Medical Marijuana Innovation Zone in the industrial part of the City for niche manufacturing businesses that produce medical marijuana related products.
- Development of key industrial sites – City staff worked closely with the development community to promote the development of key industrial sites, particularly the old Humboldt Flakeboard facility, which will be used for small manufacturing activities.
- Issuance of Business Loans to encourage economic development – Staff worked closely with several local business and was able to issue business loans totaling \$2,940,000 for business expansion activities within the City.

Current Economic Conditions and Outlook

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

The City's principle general fund revenue sources are sales tax, transactions and use tax, and vehicle license fees. For FY 2015/16, all these remained stable.

Sales tax is projected to remain steady for FY 2016/17. The City is 85.5% built out and no new significant sales tax generating businesses are anticipated in the near future. Motor Vehicle License Fees are projected to remain steady, also.

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

Financial Information

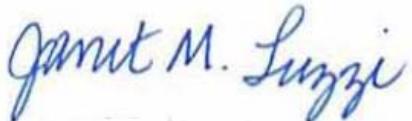
During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, Brett Jones, CPA, Jun Lee and Fortune Andzouana 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 blue ink that reads "Janet M. Luzzi". The signature is fluid and cursive, with "Janet" on the first line and "M. Luzzi" on the second line.

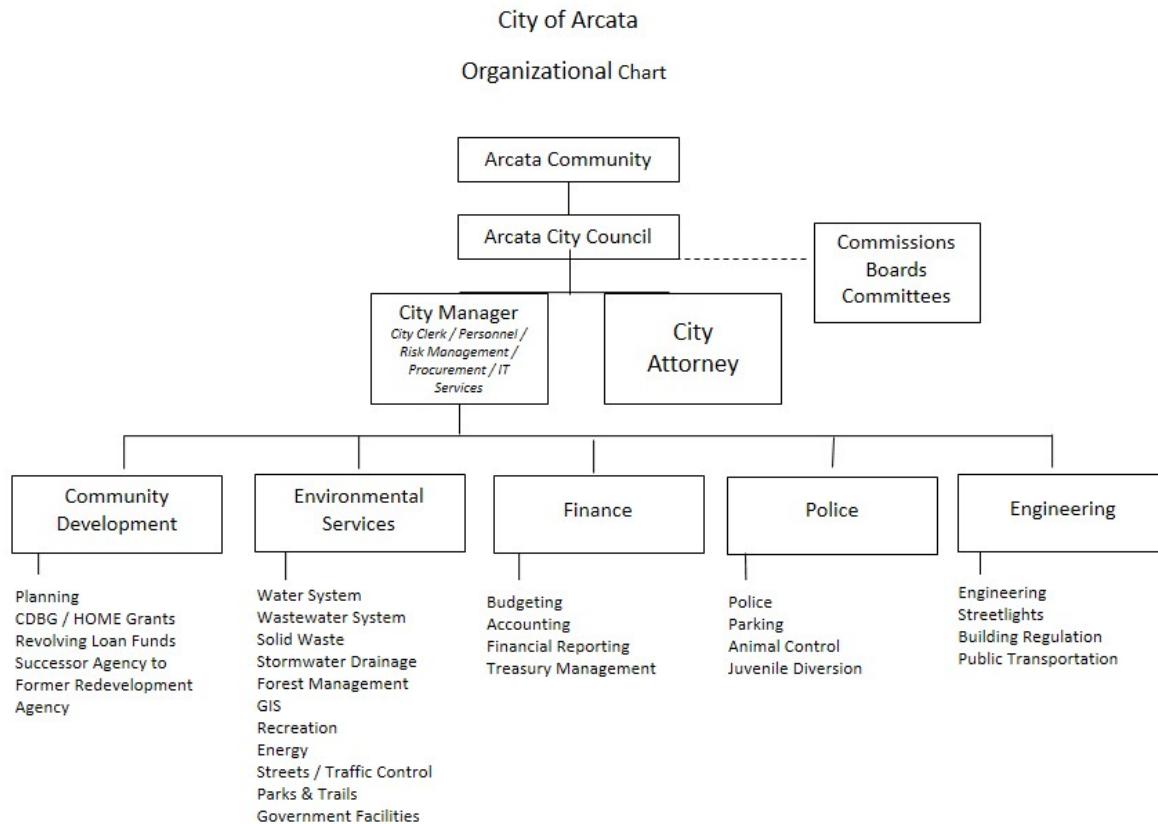
Janet M. Luzzi
Finance Director

This page intentionally left blank.



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

Organization Chart



**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

List of Officials

CITY COUNCIL

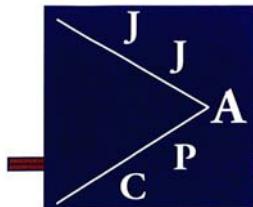
- Paul Pitino, Mayor
- Susan Ornelas, Vice Mayor
- Sofia Pereira, Council Member
- Mark Wheetley, Council Member
- Michael Winkler, Council Member

CITY OFFICIALS

- Karen Diemer, City Manager
- Janet Luzzi, Finance Director
- David Loya , Community Development Director
- Tom Chapman, Chief of Police
- Mark Andre, Environmental Services Director
- Doby Class, City Engineer
- Nancy Diamond, City Attorney

This page intentionally left blank.





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, 2016, 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, 2016, 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.

To the Honorable Mayor and City Council
The City of Arcata
Arcata, California
Page 2

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 Funding Progress on page 96, the Schedules of Contribution on pages 97-102, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 103-108, 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 January 6, 2017 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.

January 6, 2017

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

This section provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2016. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

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, 2016. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

The following outlines the financial highlights for the year:

- ◆ At June 30, 2016, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$71.9 million, an increase of \$8.2 million from the prior year. Of the total net position, \$45.7 million was invested in capital assets (net of related debt) and \$1.7 had restrictions in their use leaving \$24.5 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$6.2 million compared to the 2015 fiscal year. Most of the increase resulted from increased revenues for operating grants for street improvements and economic development, and charges for services in the business-like activities. The City's total expense for all programs in fiscal 2016 increased by \$7.9 million. This resulted primarily from the issuance of several economic development loans and making the final payment on the amounts remaining on the Housing Successor's Due Diligence Report liability.
- ◆ The City's governmental funds increased by approximately \$6.6 million. This primarily results from the transfer of \$6.8 million of assets from the Successor Agency to the Arcata Community Development to the City of Arcata as a result of the winding down of the former Agency.
- ◆ The general fund reported a fund balance of \$6.0 million at the end of the 2016 fiscal year, an increase of about \$840,000. This increase resulted from higher than anticipated property tax revenue. Also, several projects budgeted as capital improvements using general funds were not completed in fiscal year 2016, increasing fund balance by \$680,000.
- ◆ The City also ended the fiscal year with \$3.3 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of approximately \$1.0 million from 2015 and primarily results from the accumulation of cash and investments for major capital improvement projects that are anticipated in the near future.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016

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, 2016, 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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, 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 51–94 of this report. Required Supplementary Information follows the notes on pages 96-108.

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 112–154 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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 \$71,903,188 as of June 30, 2016. The Summary of Net position as of June 30, 2016, and 2015, follows:

	Summary of Net Position					
	2016			2015		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 41,021,584	\$ 9,041,737	\$ 50,063,321	\$ 34,681,404	\$ 7,675,484	\$ 42,356,888
Noncurrent assets	32,018,223	20,660,136	52,678,359	31,842,427	20,396,793	52,239,220
Deferred outflows of resources	4,268,057	1,375,754	5,643,811	1,292,309	407,509	-
Total assets and deferred outflows of resources	77,307,864	31,077,627	108,385,491	67,816,140	28,479,786	94,596,108
Current and other liabilities	3,354,608	1,445,964	4,800,572	6,975,556	1,273,230	8,248,786
Long-term liabilities	18,818,905	7,052,412	25,871,317	14,082,556	6,688,064	20,770,620
Deferred inflows of resources	4,404,399	1,406,015	5,810,414	2,696,213	850,208	-
Total liabilities and deferred inflows of resources	26,577,912	9,904,391	36,482,303	23,754,325	8,811,502	29,019,406
Net position:						
Net invested in						
Capital Assets	27,841,973	17,871,543	45,713,516	30,783,043	17,383,483	48,166,526
Restricted	1,651,639	-	1,651,639	2,475,312	-	2,475,312
Unrestricted	21,236,340	3,301,693	24,538,033	10,803,460	2,284,801	13,088,261
Total net position	\$ 50,729,952	\$ 21,173,236	\$ 71,903,188	\$ 44,061,815	\$ 19,668,284	\$ 63,730,099

The City's total net position increased by \$8.2 million (\$6.7 million and \$1.5 million for governmental activities and business-type activities, respectively). Total city-wide assets increased \$8.1 million. This primarily results from the transfer of \$6.8 million of assets from the Successor Agency to the Arcata Community Development to the City of Arcata as a result of the winding down of the former Agency. Total city-wide liabilities, not including pension related liabilities, deferred outflows and inflows of resources, decreased slightly by \$700,000 primarily from decreased accounts payable and a decrease in amounts due to the Successor Agency to the Arcata Community Development Agency from the City. The adjustments related to the implementation of GASB Statement No. 68 during the fiscal year results in a decrease of total net position of \$700,000 (net pension liability and deferred inflows of resources less deferred outflows of resources).

The largest portion of the City's net assets, approximately 73.3 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, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

A portion of the City's net position (2.3 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, \$21.2 million is held by governmental activities and \$3.3 million is held by business-type activities.

The impact of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is limited to the government-wide and proprietary fund financial statements. Under GASB 68, the annual pension expense is no longer the cash-basis required contribution to CalPERS. Instead, pension expense reported in fiscal year 2016 is the change in net pension liability from the previous year (measured as of June 30, 2014) to the current year (measured as of June 30, 2015), along with changes in pension related deferred outflows and inflows of resources. Deferred outflows and deferred inflows of resources related to pensions are certain changes in the net position liability that are to be recognized in future pension expense through amortization beginning in the current fiscal year. Such items may include differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, changes of assumptions or other inputs about future economic or demographic factors, and the difference between projected and actual earnings on pension plan investments

Revenues

The City's total revenues for governmental and business-type activities were \$34.7 million for the fiscal year ended June 30, 2016, an increase of \$6.2 million. Significant revenues for the City for fiscal year 2015/16 were derived from taxes (26.8%), operating grants and contributions (28.6%), and charges for services (38.9%).

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

1. **Charges for Services.** Annual receipts for business-type activities increased \$1.3 million, or 12.9%. This is reflective of the increase in water and wastewater utility charges of 11%
2. **Grants and Contributions – Operating.** Annual receipts increased by \$3.2 million, or 75.4%. The decrease in operating grants and contributions results from the one-time receipt of grant funds for economic development business loans.
3. **Grants and Contributions – Capital.** Annual receipts increased \$1.1 million. The increase results primarily from a donation of timber property valued at \$880,000.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$33.3 million. This is an increase of \$7.9 million from the prior fiscal year. Governmental activity expenses totaled \$23.1 million, or 69.4% of total expenses. Business-type activities incurred \$10.2 million of expenses during the fiscal year. Community development costs represented 40.6% of total governmental activities expenses, followed by public safety (26.0%) and general government (15.1%).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2016, and 2015, follows:

	2016			2015		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,933,040	\$ 11,571,141	\$ 13,504,181	\$ 1,744,143	\$ 10,247,717	\$ 11,991,860
Grants and contributions:						
Operating	7,418,396	-	7,418,396	4,055,787	172,737	4,228,524
Capital	2,512,338	-	2,512,338	1,433,433	-	1,433,433
General revenues:						
Property taxes and assessments	1,701,931	-	1,701,931	1,506,192	-	1,506,192
Transient occupancy taxes	1,365,897	-	1,365,897	1,298,523	-	1,298,523
Sales and use tax	4,757,515	-	4,757,515	4,536,515	-	4,536,515
Franchise taxes	238,397	-	238,397	238,493	-	238,493
Utility users tax	1,215,097	-	1,215,097	1,213,323	-	1,213,323
Other taxes	30,796	-	30,796	31,008	-	31,008
Motor vehicle in lieu	1,518,106	-	1,518,106	1,478,488	-	1,478,488
Use of money and property	303,172	79,536	382,708	138,248	33,478	171,726
Other general	43,329	-	43,329	333,609	-	333,609
Total revenues	23,038,014	11,650,677	34,688,691	18,007,762	10,453,932	28,461,694
Expenses:						
Governmental activities:						
General government	3,497,246	-	3,497,246	1,787,580	-	1,787,580
Public safety	6,000,877	-	6,000,877	5,971,318	-	5,971,318
Public works	2,446,496	-	2,446,496	1,842,645	-	1,842,645
Community development	9,386,294	-	9,386,294	4,696,766	-	4,696,766
Parks and recreation	1,746,073	-	1,746,073	1,799,022	-	1,799,022
Interest and fiscal charges	40,510	-	40,510	39,726	-	39,726
Business-type activities:						
Water	-	3,462,360	3,462,360	-	3,391,254	3,391,254
Wastewater	-	3,541,635	3,541,635	-	3,496,415	3,496,415
Transit	-	1,379,880	1,379,880	-	1,171,385	1,171,385
Solid Waste	-	383,051	383,051	-	326,556	326,556
Stormwater	-	1,443,217	1,443,217	-	889,418	889,418
Total expenses	23,117,496	10,210,143	33,327,639	16,137,057	9,275,028	25,412,085
Excess (Deficiency) of revenues over expenditures before transfers	(79,482)	1,440,534	1,361,052	1,870,705	1,178,904	3,049,609
Transfer from fiduciary activities	6,812,037	-	6,812,037	(7,515,966)	-	(7,515,966)
Transfers	(64,418)	64,418	-	215,472	(215,472)	-
Change in net position	6,668,137	1,504,952	8,173,089	(5,429,789)	963,432	(4,466,357)
Net position:						
Beginning of year	44,061,815	19,668,284	63,730,099	62,676,551	22,862,519	85,539,070
Adjustments	-	-	-	(13,184,947)	(4,157,667)	(17,342,614)
Beginning, as adjusted	-	-	-	49,491,604	18,704,852	68,196,456
End of year	\$ 50,729,952	\$ 21,173,236	\$ 71,903,188	\$ 44,061,815	\$ 19,668,284	\$ 63,730,099

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, and 2015, are as follows:

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 3,497,246	\$ 614,040	\$ 1,787,580	\$ 1,485
Public safety	6,000,877	5,317,649	5,971,318	5,531,725
Public works	2,446,496	(782,653)	1,842,645	(1,531,594)
Community development	9,386,294	4,810,355	4,696,766	3,660,588
Parks and recreation	1,746,073	1,253,821	1,799,022	1,201,764
Interest and fiscal charges	40,510	40,510	39,726	39,726
Total	<u>\$ 23,117,496</u>	<u>\$ 11,253,722</u>	<u>\$ 16,137,057</u>	<u>\$ 8,903,694</u>

Expenses for governmental activities were \$23.1 million, which was \$6.9 million or 43.3% higher than the prior year. This results primarily from one-time grant funding for the issuance of several economic development business loans, completion of street improvement projects, and making the final payment on amounts remaining on the Housing Successor's Due Diligence Report liability.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

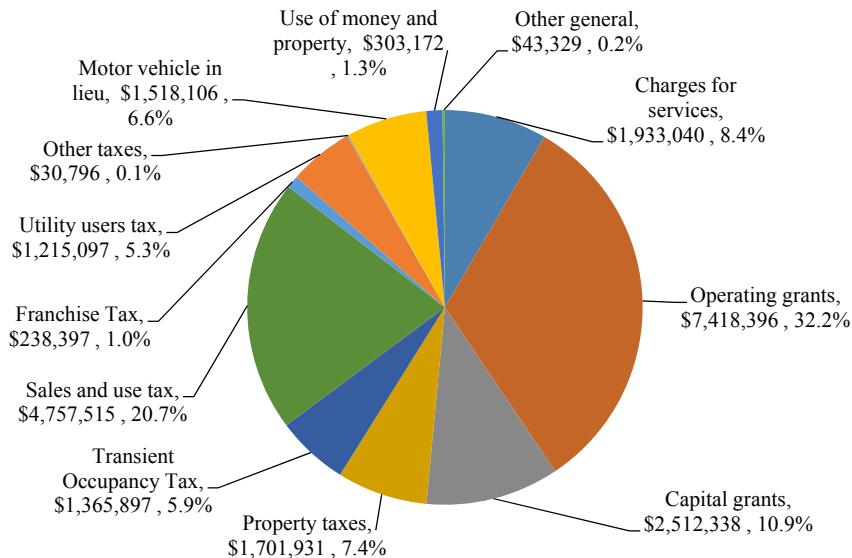
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

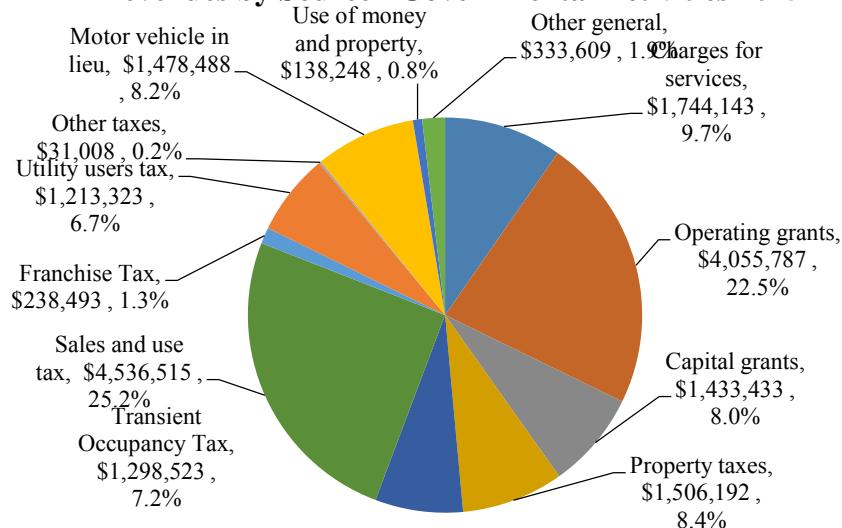
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2016, and 2015, are as follows:

Revenues by Source - Governmental Activities 2016



Revenues by Source - Governmental Activities 2015



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

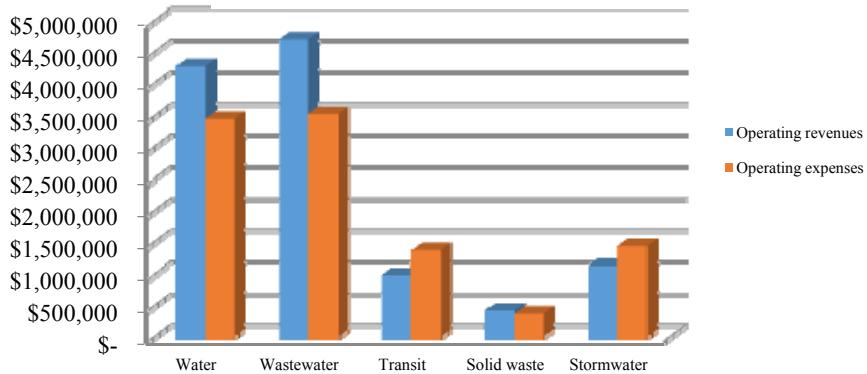
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

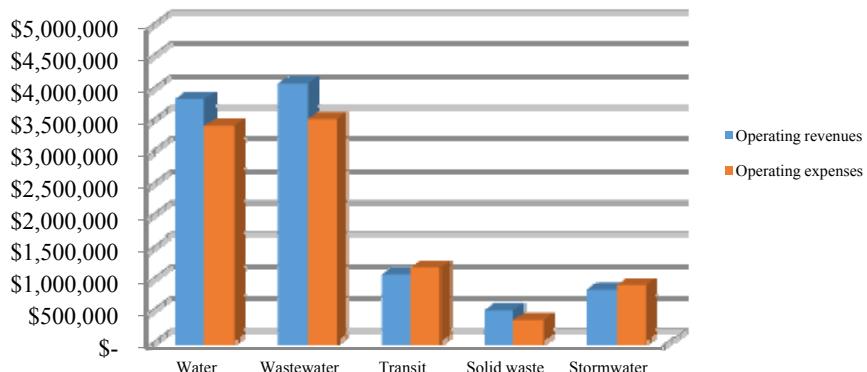
Business-type Activities

Business-type activities have increased the City's net position by \$1.5 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, 2016, and 2015, are as follows:

**Operating Revenues and Expenses
Business-type Activities
2016**



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



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

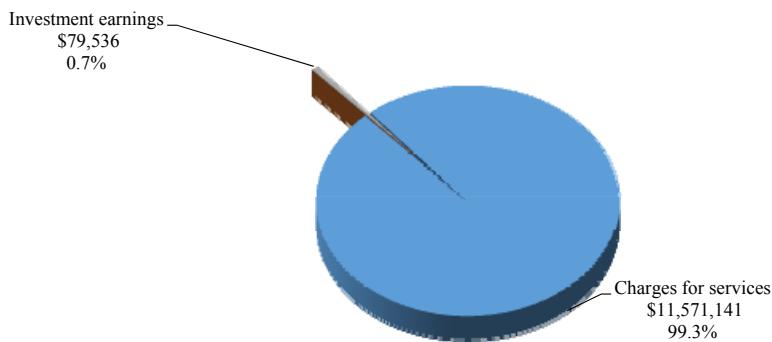
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

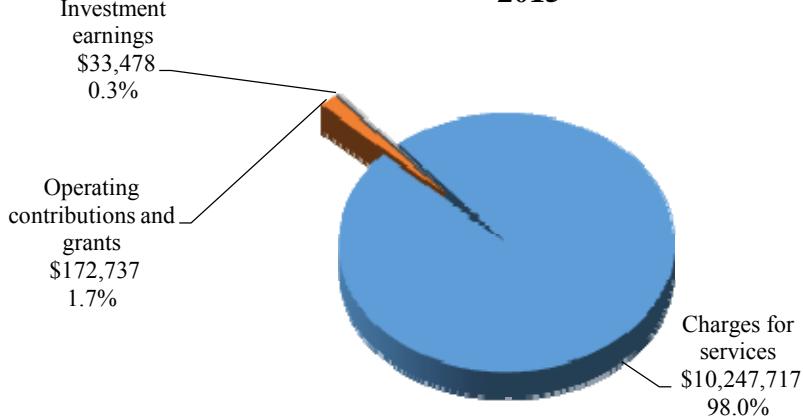
Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2016, and 2015, are as follows:

**Revenues by Source - Business-type Activities
2016**



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



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, the City's governmental funds reported combined fund balances of \$12,980,306. This is an increase of \$6,635,802 or 104.5% from last year. This primarily results from the transfer of \$6.8 million of assets from the Successor Agency to the Arcata Community Development Agency to the City of Arcata as a result of the winding down of the former Agency.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2016, General Fund unassigned fund balance totaled \$6,094,651. This is an increase of \$841,495 from the prior year. This increase resulted from higher than anticipated property tax revenue. Also, several projects budgeted as capital improvements using general funds were not completed in fiscal year 2016, increasing fund balance by \$680,000.

Several major capital construction projects were started and nearly completed during the fiscal year. Work on the long-planned Foster Avenue Extension project and Rails with Trail Phase I were completed during the year. The City spent approximately \$1.2 million on these projects during 2015/16.

Also, during the 2015/16, the City of Arcata was able to pay off the liability identified by the Department of Finance in its determination letter regarding the Low and Moderate Income Housing Fund Due Diligence Review in the amount of \$1,276,281.

Proprietary funds. The City ended the fiscal year with \$3.3 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of approximately \$1.0 million from 2015 and results primarily from the accumulation of cash and investments for major 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 \$249,752, or 1.7% of budget. This was mainly due to increased property tax revenue. The difference between the final budget and actual expenditures differs favorably by \$1,848,361. This results primarily from capital outlay expenditures which were budgeted but not completed during the year. These will be carried over to the subsequent fiscal year.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

There was a \$2,501,969 difference between the total original expenditure budget and the total final amended budget. This was due primarily to the carryover of various capital outlay appropriations for street improvements from fiscal year 2014/15 in the amount of \$1,825,452. Actual expenditures were \$1,848,361 under budget (12.2% of budget). This resulted primarily from unspent capital outlay appropriations for street projects.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amount to \$52,600,466. 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 16,213,181	\$ 15,588,539	\$ 7,396,179	\$ 7,390,409	\$ 23,609,360	\$ 22,978,948
Undergrounding facilities	90,025	90,025	4,020,795	4,183,054	4,110,820	4,273,079
Buildings and structures	5,474,410	5,860,996	2,699,495	2,943,110	8,173,905	8,804,106
Furniture and equipment	693,831	758,712	200,794	212,677	894,625	971,389
Other Improvements	3,295,873	2,778,781	4,744,550	3,934,847	8,040,423	6,713,628
Infrastructure	5,443,880	5,923,823	-	-	5,443,880	5,923,823
Vehicles	807,023	841,551	1,520,430	1,648,136	2,327,453	2,489,687
Total	\$ 32,018,223	\$ 31,842,427	\$ 20,582,243	\$ 20,312,233	\$ 52,600,466	\$ 52,154,660

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 57 for significant accounting policies and Note 5 on pages 69 – 70 for other capital asset information.

Long-Term Debt

At June 30, 2016, the City had a \$9,251,329. During the year, the City refinanced a portion of the City's unfunded actuarial liability with CalPERS in the amount of \$3,226,000. 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	
	2016	2015	2016	2015	2016	2015
Capital Lease Obligations	\$ 43,933	\$ 57,334	\$ -	\$ -	\$ 43,933	\$ 57,334
2015 Refunding of 2008 Lease	950,250	1,002,050	1,764,750	1,860,950	2,715,000	2,863,000
CalPERS UAL Debt	3,226,000	-	-	-	3,226,000	-
2015 Refunding of 2008 Loan	-	-	1,164,000	1,307,000	1,164,000	1,307,000
Compensated absences	441,836	397,724	156,382	149,737	598,218	547,461
Net OPEB obligation	1,504,178	1,224,545	-	-	1,504,178	1,224,545
Total	\$ 6,166,197	\$ 2,681,653	\$ 3,085,132	\$ 3,317,687	\$ 9,251,329	\$ 5,999,340

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

Management's Discussion and Analysis, Continued

Economic Outlook and Next Year's Budget and Rates

The budget for Fiscal Year 2016/17, adopted on June 15, 2016, is balanced and the economic outlook for the short- and long-term is considered stable. This is a result of a continuing and reliable tax revenue stream and the City's efforts over the past several years to contain and control expenditures.

Tax revenues, particularly property and sales taxes, continue to be steady through economic cycles which provides stability to the City's financial position. These revenues have increased modestly since the Great Recession. Maintaining and growing the City's revenue base is a high priority for City staff.

Just as important as the maintaining and growing the City's revenue base, moderating expenditure growth is also imperative and will continue be challenging to the City. Personnel cost is the largest expense category and addressing personnel expenditure growth will remain a priority. The City, working together with bargaining units, has taken action to control the growth of pension and health insurance costs. However, these costs continue to rise sharply. In addition, CalPERS has approved a plan to lower its assumed rate of return from 7.5% to 6.5% over several years which will result in increased employer contribution rates.

In summary, the City enters Fiscal Year 2016/17 in a solid position financially based on past efforts made to restructure itself to operate more efficiently and better contain costs. It has also benefitted from an ongoing economic recovery that is increasing revenues modestly. 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

This page intentionally left blank.



City of Arcata, California

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-type Activities	Total	Governmental Activities 2015
ASSETS				
Current assets:				
Cash and investments	\$ 11,354,455	\$ 7,723,747	\$ 19,078,202	\$ 11,053,891
Restricted cash and investments	2,663,105	-	2,663,105	-
Receivables:				
Accounts	2,752,786	1,219,134	3,971,920	2,875,827
Loans/Notes receivable	24,114,326	-	24,114,326	20,608,651
Internal balances	-	-	-	-
Due from Successor Agency	-	-	-	-
Inventory	136,912	98,856	235,768	143,035
Total current assets	41,021,584	9,041,737	50,063,321	34,681,404
Noncurrent assets:				
Prepaid issuance costs	-	77,893	77,893	-
Capital assets:				
Nondepreciable	16,303,206	7,390,409	23,693,615	15,678,564
Depreciable	15,715,017	13,191,834	28,906,851	16,163,863
Total noncurrent assets	32,018,223	20,660,136	52,678,359	31,842,427
Total assets	73,039,807	29,701,873	102,741,680	66,523,831
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan	4,268,057	1,375,754	5,643,811	1,292,309
Total assets and deferred outflows of resources	\$ 77,307,864	\$ 31,077,627	\$ 108,385,491	\$ 67,816,140
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,239,971	\$ 917,666	\$ 2,157,637	2,537,106
Interest payable	-	1,993	1,993	-
Deposits payable	21,865	269,159	291,024	20,306
Compensated absences - current portion	110,458	39,096	149,554	99,431
Other liabilities	1,225,842	-	1,225,842	984,378
Payable to Fiduciary Activities	179,512	-	179,512	3,269,134
Due within one year	576,960	218,050	795,010	65,201
Total current liabilities	3,354,608	1,445,964	4,800,572	6,975,556
Noncurrent liabilities:				
Long-term liabilities:				
Compensated absences	331,378	117,286	448,664	298,293
Due after one year	3,643,223	2,710,700	6,353,923	994,183
Net OPEB obligation	1,504,178	-	1,504,178	1,224,545
Net pension liability	13,340,126	4,224,426	17,564,552	11,565,535
Total noncurrent liabilities	18,818,905	7,052,412	25,871,317	14,082,556
Total liabilities	22,173,513	8,498,376	30,671,889	21,058,112
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	4,404,399	1,406,015	5,810,414	2,696,213
Total defered inflows of resources	4,404,399	1,406,015	5,810,414	2,696,213
NET POSITION				
Net investment in capital assets	27,841,973	17,871,543	45,713,516	30,783,043
Restricted	1,651,639	-	1,651,639	2,475,312
Unrestricted	21,236,340	3,301,693	24,538,033	10,803,460
Total net position	50,729,952	21,173,236	71,903,188	\$ 44,061,815
Total liabilities, defered inflows of resources and net position	\$ 77,307,864	\$ 31,077,627	\$ 108,385,491	\$ 67,816,140

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,497,246	\$ 29,334	\$ 1,973,872	\$ 880,000
Public safety	6,000,877	306,610	376,618	-
Public works	2,446,496	682,543	914,268	1,632,338
Community development	9,386,294	457,131	4,118,808	-
Parks and recreation	1,746,073	457,422	34,830	-
Interest and fiscal charges	40,510	-	-	-
Total governmental activities	<u>23,117,496</u>	<u>1,933,040</u>	<u>7,418,396</u>	<u>2,512,338</u>
Business-type activities:				
Water	3,462,360	4,282,987	-	-
Wastewater	3,541,635	4,712,300	-	-
Transit	1,379,880	1,001,405	-	-
Solid waste	383,051	435,752	-	-
Stormwater utility	1,443,217	1,138,697	-	-
Total business-type activities	<u>10,210,143</u>	<u>11,571,141</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 33,327,639</u>	<u>\$ 13,504,181</u>	<u>\$ 7,418,396</u>	<u>\$ 2,512,338</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 (MVLF)

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
\$ (614,040)	\$ -	\$ (614,040)
(5,317,649)	-	(5,317,649)
782,653	-	782,653
(4,810,355)	-	(4,810,355)
(1,253,821)	-	(1,253,821)
(40,510)	-	(40,510)
<hr/>	<hr/>	<hr/>
(11,253,722)	-	(11,253,722)
-	820,627	820,627
-	1,170,665	1,170,665
-	(378,475)	(378,475)
-	52,701	52,701
-	(304,520)	(304,520)
<hr/>	<hr/>	<hr/>
-	1,360,998	1,360,998
<hr/>	<hr/>	<hr/>
(11,253,722)	1,360,998	(9,892,724)
1,701,931	-	1,701,931
1,365,897	-	1,365,897
4,757,515	-	4,757,515
238,397	-	238,397
1,215,097	-	1,215,097
30,796	-	30,796
1,518,106	-	1,518,106
303,172	79,536	382,708
43,329	-	43,329
<hr/>	<hr/>	<hr/>
11,174,240	79,536	11,253,776
6,812,037	-	6,812,037
(64,418)	64,418	-
<hr/>	<hr/>	<hr/>
17,921,859	143,954	18,065,813
6,668,137	1,504,952	8,173,089
44,061,815	19,668,284	63,730,099
<hr/>	<hr/>	<hr/>
\$ 50,729,952	\$ 21,173,236	\$ 71,903,188

This page intentionally left blank.



FUND FINANCIAL STATEMENTS
MAJOR FUNDS

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

City of Arcata, California

Balance Sheet

Governmental Funds

June 30, 2016

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
ASSETS			
Cash and investments	\$ 6,477,795	\$ 11,343	\$ 399,069
Receivables:			
Taxes	565,755	-	-
Intergovernmental	1,244,827	-	-
Loans/Notes receivable	-	7,414,404	11,487,173
Other receivable	6,024	107,945	3,442
Due from other funds	10,113	10,793	22,092
Inventory	2,642	-	-
Total assets	\$ 8,307,156	\$ 7,544,485	\$ 11,911,776
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 890,759	\$ 2,212	\$ -
Due to other funds	8,563	-	-
Deposits payable	-	-	-
Other liabilities	1,225,842	-	-
Payable to Successor Agency Private Purpose Trust	-	-	-
Total liabilities	2,125,164	2,212	-
Deferred inflows of resources:			
Unavailable revenue	87,341	7,414,404	11,487,170
Total deferred inflows of resources:	87,341	7,414,404	11,487,170
Total Liabilities and deferred inflows	2,212,505	7,416,616	11,487,170
Fund balances:			
Nonspendable	2,642	-	-
Restricted	-	127,869	424,606
Assigned	-	-	-
Unassigned (Deficit)	6,092,009	-	-
Total fund balances	6,094,651	127,869	424,606
Total liabilities, deferred inflows and fund balances	\$ 8,307,156	\$ 7,544,485	\$ 11,911,776

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

Major Funds

Basic				Nonmajor		
Business			Governmental			
Loan	STIP	Housing	Funds			Totals
Revolving		Successor				
\$ 828,513	\$ -	\$ 595,997	\$ 1,756,236	\$ 10,068,953		
-	-	-	-	565,755		
-	264,499	-	556,927	2,066,253		
2,853,684	-	2,359,065	-	24,114,326		
2,736	-	31	600	120,778		
-	-	-	271,856	314,854		
-	-	-	120,690	123,332		
\$ 3,684,933	\$ 264,499	\$ 2,955,093	\$ 5,369,414	\$ 40,037,356		
\$ 105	\$ -	\$ 995	\$ 219,240	\$ 1,113,311		
-	271,856	-	34,435	314,854		
-	-	-	21,865	21,865		
-	-	-	-	1,225,842		
-	-	179,512	-	179,512		
105	271,856	180,507	275,540	2,855,384		
2,853,685	-	2,359,066	-	24,201,666		
2,853,685	-	2,359,066	-	24,201,666		
2,853,790	271,856	2,539,573	275,540	27,057,050		
-	-	-	120,690	123,332		
-	-	-	1,099,164	1,651,639		
831,143	-	415,520	3,885,417	5,132,080		
-	(7,357)	-	(11,397)	6,073,255		
831,143	(7,357)	415,520	5,093,874	12,980,306		
\$ 3,684,933	\$ 264,499	\$ 2,955,093	\$ 5,369,414	\$ 40,037,356		

City of Arcata, California

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances - total governmental funds \$ 12,980,306

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. 31,031,401

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	\$ (429,041)
Due within one year	(562,955)
Due after one year	(3,613,295)
Net OPEB obligation	(1,504,178)
Net pension liability	<u>(12,880,958)</u> (18,990,427)

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. 24,201,666

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

Deferred outflows	4,268,057
Deferred inflows	<u>(4,404,399)</u> (136,342)

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	1,299,082
Noncurrent assets	986,822
Accounts payable and accrued liabilities	(143,863)
Noncurrent liabilities	<u>(498,693)</u> 1,643,348
Net Position of governmental activities	<u>\$ 50,729,952</u>

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, 2016

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets:					
Cash and investments	\$ 10,068,953	\$ -	\$ -	\$ 1,285,502	\$ 11,354,455
Receivables:					
Taxes	565,755	-	-	-	565,755
Intergovernmental	2,066,253	-	-	-	2,066,253
Loans/Notes receivable	24,114,326	-	-	-	24,114,326
Other receivable	120,778	-	-	-	120,778
Due from other funds	314,854	(314,854)	-	-	-
Inventory	123,332	-	-	13,580	136,912
Total current assets	40,037,356	(314,854)	-	1,299,082	41,021,584
Noncurrent assets:					
Capital assets, net	-	-	31,031,401	986,822	32,018,223
Total noncurrent assets	-	-	31,031,401	986,822	32,018,223
Total assets	40,037,356	(314,854)	31,031,401	2,285,904	73,039,807
Deferred outflows of resources:					
Pension Plan	-	-	4,125,150	142,907	4,268,057
Total assets and deferred outflows of resources	\$ 40,037,356	\$ (314,854)	\$ 35,156,551	\$ 2,428,811	\$ 77,307,864
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,113,311	\$ -	\$ -	\$ 126,660	\$ 1,239,971
Due to other funds	314,854	(314,854)	-	-	-
Deposits payable	21,865	-	-	-	21,865
Compensated absences - current portion	-	-	107,260	3,198	110,458
Other liabilities	1,225,842	-	-	-	1,225,842
Payable to Successor Agency Private Purpose Trust/Fiduciary Activities	179,512	-	-	-	179,512
Due within one year	-	-	562,955	14,005	576,960
Total current liabilities	2,855,384	(314,854)	670,215	143,863	3,354,608
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	321,781	9,597	331,378
Due after one year	-	-	3,613,295	29,928	3,643,223
Net OPEB obligation	-	-	1,504,178	-	1,504,178
Net pension liability	-	-	12,880,958	459,168	13,340,126
Total noncurrent liabilities	-	-	18,320,212	498,693	18,818,905
Total liabilities	2,855,384	(314,854)	18,990,427	642,556	22,173,513
Deferred inflows of resources					
Unavailable revenue	24,201,666	-	(24,201,666)	-	-
Pension plan	-	-	4,254,663	149,736	4,404,399
Total liabilities and deferred inflows of resources:	27,057,050	(314,854)	(956,576)	792,292	26,577,912
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	123,332	(123,332)	-	-	-
Restricted	1,651,639	(1,651,639)	-	-	-
Assigned	5,132,080	(5,132,080)	-	-	-
Unassigned (deficit)	6,073,255	(6,073,255)	-	-	-
Net position:					
Net investment in capital assets	-	-	26,855,151	986,822	27,841,973
Restricted	-	-	1,651,639	-	1,651,639
Unrestricted	-	12,980,306	7,606,337	649,697	21,236,340
Total fund balances/net position	12,980,306	-	36,113,127	1,636,519	50,729,952
Total liabilities, deferred inflows and net position	\$ 40,037,356	\$ (314,854)	\$ 35,156,551	\$ 2,428,811	\$ 77,307,864

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, 2016

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
REVENUES:			
Taxes and assessments	\$ 9,278,837	\$ -	\$ -
Licenses and permits	338,150	-	-
Fines and forfeitures	261,699	-	-
Intergovernmental	2,004,401	-	-
Use of money and property	221,709	345,085	207,096
Charges for services	803,086	-	-
Reimbursements	1,633,302	-	-
Other revenues	217,209	-	-
Total revenues	14,758,393	345,085	207,096
EXPENDITURES:			
Current:			
General government	2,840,421	-	-
Public safety	5,633,683	-	-
Public works	533,884	-	-
Community development	1,047,216	1,762,210	126
Parks and recreation	1,365,932	-	-
Capital outlay	1,785,573	-	-
Debt service:			
Principal	51,800	-	-
Interest and fiscal charges	40,510	-	-
Total expenditures	13,299,019	1,762,210	126
REVENUES OVER (UNDER) EXPENDITURES	1,459,374	(1,417,125)	206,970
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of long term debt	3,226,000	-	-
Payments to CALPERS	(3,226,000)	-	-
Proceeds from sales of assets	-	-	-
Transfer from private purpose trust	-	-	-
Transfers in	-	-	44,416
Transfers out	(617,879)	(75,643)	-
Total other financing sources (uses)	(617,879)	(75,643)	44,416
Net change in fund balances	841,495	(1,492,768)	251,386
FUND BALANCES:			
Beginning of year	5,253,156	1,620,637	173,220
End of year	\$ 6,094,651	\$ 127,869	\$ 424,606

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

Major Funds						
Basic Business Loans Revolving	STIP	Housing Successor	Other Governmental Funds	Totals		
\$ -	\$ -	\$ -	\$ 30,796	\$ 9,309,633		
-	-	-	3,888	342,038		
-	-	-	109,364	371,063		
1,111,084	-	-	3,406,374	6,521,859		
136,787	-	10,570	261,847	1,183,094		
-	-	-	-	803,086		
-	-	-	2,828	1,636,130		
-	-	-	1,254,007	1,471,216		
<u>136,787</u>	<u>1,111,084</u>	<u>10,570</u>	<u>5,069,104</u>	<u>21,638,119</u>		
-	-	-	-	2,840,421		
-	-	-	278,152	5,911,835		
-	-	-	796,170	1,330,054		
974	-	1,317,996	3,680,088	7,808,610		
-	-	-	287,906	1,653,838		
-	285,272	-	1,388,688	3,459,533		
-	-	-	-	51,800		
-	-	-	-	40,510		
<u>974</u>	<u>285,272</u>	<u>1,317,996</u>	<u>6,431,004</u>	<u>23,096,601</u>		
<u>135,813</u>	<u>825,812</u>	<u>(1,307,426)</u>	<u>(1,361,900)</u>	<u>(1,458,482)</u>		
-	-	-	-	3,226,000		
-	-	-	-	(3,226,000)		
-	-	1,399,895	-	1,399,895		
-	-	2,873,276	3,938,761	6,812,037		
-	-	-	808,224	852,640		
-	-	-	(276,766)	(970,288)		
-	-	4,273,171	4,470,219	8,094,284		
<u>135,813</u>	<u>825,812</u>	<u>2,965,745</u>	<u>3,108,319</u>	<u>6,635,802</u>		
<u>695,330</u>	<u>(833,169)</u>	<u>(2,550,225)</u>	<u>1,985,555</u>	<u>6,344,504</u>		
<u>\$ 831,143</u>	<u>\$ (7,357)</u>	<u>\$ 415,520</u>	<u>\$ 5,093,874</u>	<u>\$ 12,980,306</u>		

City of Arcata, California

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

For the year ended June 30, 2016

Functions/Programs	Compensated				Capital				Government-wide	
	Fund Based		Absences/		Asset					
	Totals	Service	Debt	Internal Service	Depreciation	(Additions)/Retirements	OPEB	Pension	Plan	Other
Governmental activities:										
General government	\$ 2,840,421	\$ 44,112	\$ (315,514)	\$ 158,287	\$ -	\$ 279,633	\$ 490,307	\$ -	\$ -	\$ 3,497,246
Public safety	5,911,835		-	89,042	-	-	-	-	-	6,000,877
Public works	1,330,054	-	-	1,116,442	-	-	-	-	-	2,446,496
Community development	11,034,610	-	-	95,655	1,767,306	-	-	(3,511,277)	9,386,294	
Parks and recreation	1,653,838	-	-	92,235	-	-	-	-	-	1,746,073
Capital outlay	3,459,533	-	-	-	(3,459,533)	-	-	-	-	-
Debt service/Interest	92,310	(51,800)	-	-	-	-	-	-	-	40,510
Total governmental activities	\$ 26,322,601	\$ (7,688)	\$ (315,514)	\$ 1,551,661	\$ (1,692,227)	\$ 279,633	\$ 490,307	\$ (3,511,277)	\$ -	\$ 23,117,496

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, 2016

Net change in fund balances - total governmental funds	\$ 6,635,802
---	--------------

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

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

Capital asset purchases capitalized	\$ 4,096,180
Disposal of capital assets	(2,403,953)
Depreciation expense	<u>(1,551,661)</u>
	140,566

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.

3,511,277

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	51,800
Debt issuance	<u>(3,226,000)</u>
	(3,174,200)

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	(44,112)
--------------------------------	----------

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	(279,633)
Pension Plan	<u>(490,307)</u>
	(769,940)

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.

315,514
53,230
<u>368,744</u>

Change in Net Position of governmental activities

\$ 6,668,137

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, 2016

	General Fund				Variance w/Final Positive (Negative)	
	Budgeted Amounts		Actual			
	Original	Final				
REVENUES:						
Taxes and assessments	\$ 8,662,550	\$ 9,163,402	\$ 9,278,837	\$ 115,435		
Licenses and permits	328,900	338,900	338,150	(750)		
Fines and forfeitures	265,000	247,000	261,699	14,699		
Intergovernmental	1,639,326	1,988,078	2,004,401	16,323		
Use of money and property	170,700	144,300	221,709	77,409		
Charges for services	675,650	713,193	803,086	89,893		
Reimbursements	1,632,199	1,703,204	1,633,302	(69,902)		
Other revenues	26,500	210,564	217,209	6,645		
Total revenues	13,400,825	14,508,641	14,758,393	249,752		
EXPENDITURES:						
Current:						
General government	2,916,762	2,998,617	2,840,421	158,196		
Public safety	5,647,017	5,780,360	5,633,683	146,677		
Public works	564,839	556,501	533,884	22,617		
Community development	1,039,015	1,151,678	1,047,216	104,462		
Parks and recreation	1,248,478	1,423,903	1,365,932	57,971		
Capital outlay	1,163,300	3,170,321	1,785,573	1,384,748		
Debt service:						
Principal	51,800	51,800	51,800	-		
Interest and fiscal charges	14,200	14,200	40,510	(26,310)		
Total expenditures	12,645,411	15,147,380	13,299,019	1,848,361		
REVENUES OVER (UNDER) EXPENDITURES	755,414	(638,739)	1,459,374	2,098,113		
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of long term debt	-	-	3,226,000	3,226,000		
Payments to CALPERS	-	-	(3,226,000)	(3,226,000)		
Proceeds from sales of assets	-	-	-	-		
Transfer from private purpose trust	-	-	-	-		
Transfers in	-	-	-	-		
Transfers out	(662,568)	(662,568)	(617,879)	44,689		
Total other financing sources (uses)	(662,568)	(662,568)	(617,879)	44,689		
Net change in fund balances	92,846	(1,301,307)	841,495	2,142,802		
FUND BALANCES:						
Beginning of year	5,253,156	5,253,156	5,253,156	-		
End of year	\$ 5,346,002	\$ 3,951,849	\$ 6,094,651	\$ 2,142,802		

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

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
Budgeted Amounts		Variance w/Final		Budgeted Amounts		Variance w/Final	
Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
\$		\$		\$		\$	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
220,000	219,925	345,085	125,160	40,000	40,000	207,096	167,096
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>220,000</u>	<u>219,925</u>	<u>345,085</u>	<u>125,160</u>	<u>40,000</u>	<u>40,000</u>	<u>207,096</u>	<u>167,096</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,736,887	1,755,962	1,762,210	(6,248)	215,504	215,504	126	215,378
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,736,887</u>	<u>1,755,962</u>	<u>1,762,210</u>	<u>(6,248)</u>	<u>215,504</u>	<u>215,504</u>	<u>126</u>	<u>215,378</u>
(1,516,887)	(1,536,037)	(1,417,125)	118,912	(175,504)	(175,504)	206,970	382,474
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	44,416	44,416
<u>-</u>	<u>-</u>	<u>(75,643)</u>	<u>(75,643)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>(75,643)</u>	<u>(75,643)</u>	<u>-</u>	<u>-</u>	<u>44,416</u>	<u>44,416</u>
(1,516,887)	(1,536,037)	(1,492,768)	43,269	(175,504)	(175,504)	251,386	426,890
<u>1,620,637</u>	<u>1,620,637</u>	<u>1,620,637</u>	<u>-</u>	<u>173,220</u>	<u>173,220</u>	<u>173,220</u>	<u>-</u>
\$ 103,750	\$ 84,600	\$ 127,869	\$ 43,269	\$ (2,284)	\$ (2,284)	\$ 424,606	\$ 426,890

(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, 2016

Basic Business Loan Revolving				
	Budgeted Amounts		Variance w/Final	
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	- -	- -	- -	- -
Fines and forfeitures	- -	- -	- -	- -
Intergovernmental	- -	- -	- -	- -
Use of money and property	36,000	35,950	136,787	100,837
Charges for services	- -	- -	- -	- -
Reimbursements	- -	- -	- -	- -
Other revenues	- -	- -	- -	- -
Total revenues	36,000	35,950	136,787	100,837
EXPENDITURES:				
Current:				
General government	- -	- -	- -	- -
Public safety	- -	- -	- -	- -
Public works	- -	- -	- -	- -
Community development	15,504	25,554	974	24,580
Parks and recreation	- -	- -	- -	- -
Capital outlay	- -	- -	- -	- -
Debt service:				
Principal	- -	- -	- -	- -
Interest and fiscal charges	- -	- -	- -	- -
Total expenditures	15,504	25,554	974	24,580
REVENUES OVER (UNDER) EXPENDITURES	20,496	10,396	135,813	125,417
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt	- -	- -	- -	- -
Payments to CALPERS	- -	- -	- -	- -
Transfer to Successory Agency	- -	- -	- -	- -
Transfer from private purpose trust	- -	- -	- -	- -
Transfers in	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -	- -
Net change in fund balances	20,496	10,396	135,813	125,417
FUND BALANCES:				
Beginning of year	695,330	695,330	695,330	- -
End of year	\$ 715,826	\$ 705,726	\$ 831,143	\$ 125,417

STIP				Housing Successor			
Budgeted Amounts		Variance w/Final		Budgeted Amounts		Variance w/Final	
Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
\$		\$		\$		\$	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	225,588	1,111,084	885,496	-	-	-	-
-	-	-	-	81,400	81,400	10,570	(70,830)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	225,588	1,111,084	885,496	81,400	81,400	10,570	(70,830)
<hr/>							
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	80,380	1,371,661	1,317,996	53,665
-	-	-	-	-	-	-	-
-	225,588	285,272	(59,684)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	225,588	285,272	(59,684)	80,380	1,371,661	1,317,996	53,665
<hr/>							
-	-	825,812	825,812	1,020	(1,290,261)	(1,307,426)	(17,165)
<hr/>							
-	-	-	-	200,000	1,399,895	1,399,895	-
-	-	-	-	-	-	2,873,276	2,873,276
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	200,000	1,399,895	4,273,171	2,873,276
-	-	825,812	825,812	201,020	109,634	2,965,745	2,856,111
<hr/>							
14,004	14,004	14,004	-	-	-	-	-
\$ 14,004	\$ 14,004	\$ 839,816	\$ 825,812	\$ 201,020	\$ 109,634	\$ 2,965,745	\$ 2,856,111

(concluded)

This page intentionally left blank.



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, 2016

	Water Fund	Wastewater Fund	Transit Fund
ASSETS			
Current assets:			
Cash and investments	\$ 3,228,942	\$ 3,290,454	\$ 553,661
Receivables:			
Accounts	405,690	541,966	-
Intergovernmental	-	-	-
Inventory	85,679	10,724	-
Total current assets	<u>3,720,311</u>	<u>3,843,144</u>	<u>553,661</u>
Noncurrent assets:			
Prepaid debt issuance costs	49,571	28,322	-
Capital assets, net	3,617,931	7,331,627	2,012,300
Total noncurrent assets	<u>3,667,502</u>	<u>7,359,949</u>	<u>2,012,300</u>
Total Assets	<u>7,387,813</u>	<u>11,203,093</u>	<u>2,565,961</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	462,133	560,462	145,245
Total assets and deferrd outflows of resources	<u>\$ 7,849,946</u>	<u>\$ 11,763,555</u>	<u>\$ 2,711,206</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 216,369	\$ 280,589	\$ 68,872
Accrued payroll	49,285	59,331	27,295
Interest payable	-	1,993	-
Deposits payable	266,759	-	-
Compensated absences - current portion	13,148	15,529	4,598
Due within one year	63,050	155,000	-
Total current liabilities	<u>608,611</u>	<u>512,442</u>	<u>100,765</u>
Noncurrent liabilities:			
Compensated absences	39,444	46,585	13,795
Due after one year	1,701,700	1,009,000	-
Net pension liability	1,476,556	1,683,392	416,762
Total noncurrent liabilities	<u>3,217,700</u>	<u>2,738,977</u>	<u>430,557</u>
Total liabilities	<u>3,826,311</u>	<u>3,251,419</u>	<u>531,322</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	482,712	565,987	143,148
Total deferred inflows of resources	<u>482,712</u>	<u>565,987</u>	<u>143,148</u>
Net Position:			
Net investment in capital assets	1,916,231	6,322,627	2,012,300
Unrestricted	1,624,692	1,623,522	24,436
Total net position	<u>3,540,923</u>	<u>7,946,149</u>	<u>2,036,736</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,849,946</u>	<u>\$ 11,763,555</u>	<u>\$ 2,711,206</u>

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

Solid Waste Fund	Stormwater Utility Fund			Governmental Activities	
			Totals		Internal Service Funds
\$ 497,273	\$ 153,417	\$ 7,723,747	\$ 1,285,502		
33,445	133,874	1,114,975	-		
19,577	84,582	104,159	-		
-	2,453	98,856	13,580		
<u>550,295</u>	<u>374,326</u>	<u>9,041,737</u>	<u>1,299,082</u>		
		77,893	-		
1,992	7,618,393	20,582,243	986,822		
1,992	7,618,393	20,660,136	986,822		
<u>552,287</u>	<u>7,992,719</u>	<u>29,701,873</u>	<u>2,285,904</u>		
<u>73,019</u>	<u>134,895</u>	<u>1,375,754</u>	<u>142,907</u>		
<u>\$ 625,306</u>	<u>\$ 8,127,614</u>	<u>\$ 31,077,627</u>	<u>\$ 2,428,811</u>		
\$ 17,584	\$ 176,887	\$ 760,301	\$ 109,577		
7,448	14,006	157,365	17,083		
-	-	1,993	-		
-	2,400	269,159	-		
2,158	3,663	39,096	3,198		
-	-	218,050	-		
<u>27,190</u>	<u>196,956</u>	<u>1,445,964</u>	<u>129,858</u>		
6,473	10,989	117,286	9,597		
-	-	2,710,700	43,933		
<u>210,271</u>	<u>437,445</u>	<u>4,224,426</u>	<u>459,168</u>		
<u>216,744</u>	<u>448,434</u>	<u>7,052,412</u>	<u>512,698</u>		
<u>243,934</u>	<u>645,390</u>	<u>8,498,376</u>	<u>642,556</u>		
<u>72,100</u>	<u>142,068</u>	<u>1,406,015</u>	<u>149,736</u>		
<u>72,100</u>	<u>142,068</u>	<u>1,406,015</u>	<u>149,736</u>		
1,992	7,618,393	17,871,543	986,822		
<u>307,280</u>	<u>(278,237)</u>	<u>3,301,693</u>	<u>649,697</u>		
<u>309,272</u>	<u>7,340,156</u>	<u>21,173,236</u>	<u>1,636,519</u>		
<u>\$ 625,306</u>	<u>\$ 8,127,614</u>	<u>\$ 31,077,627</u>	<u>\$ 2,428,811</u>		

City of Arcata, California

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

Proprietary Funds

For the year ended June 30, 2016

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 4,282,987	\$ 4,712,300	\$ 1,009,487
Interdepartmental charges	-	-	-
Other operating revenue	-	-	(8,082)
Total operating revenues	4,282,987	4,712,300	1,001,405
OPERATING EXPENSES:			
Salaries and benefits	1,229,102	1,499,361	522,177
Contractual services	94,469	531,082	286,507
Materials and supplies	155,035	385,745	104,773
Repairs and maintenance	155,930	95,594	130,655
Purchased water	1,076,337	-	-
Utilities	48,012	150,706	520
Insurance	73,683	73,683	35,621
Taxes and fees	14,310	29,243	324
Allocated overhead	407,630	407,620	79,090
Depreciation	130,005	358,398	220,213
Total operating expenses	3,384,513	3,531,432	1,379,880
OPERATING INCOME	898,474	1,180,868	(378,475)
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues (expenses)	-	20,893	-
Interest revenue	36,072	33,183	4,524
Interest expense	(77,847)	(31,096)	-
Total non-operating revenues, net	(41,775)	22,980	4,524
NET INCOME BEFORE TRANSFERS	856,699	1,203,848	(373,951)
Transfers in	-	-	-
Transfers out	(55,000)	(74,000)	(31,000)
Total transfers	(55,000)	(74,000)	(31,000)
CHANGE IN NET POSITION	801,699	1,129,848	(404,951)
NET POSITION:			
Beginning of year	2,739,224	6,816,301	2,441,687
End of year	\$ 3,540,923	\$ 7,946,149	\$ 2,036,736

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

Solid Waste Fund	Stormwater Utility Fund		Governmental Activities	
			Internal Service Funds	
\$ 429,144	\$ 1,133,033	\$ 11,566,951	\$ -	
-	-	-	1,385,617	
6,608	5,664	4,190	30,329	
<u>435,752</u>	<u>1,138,697</u>	<u>11,571,141</u>	<u>1,415,946</u>	
179,040	323,645	3,753,325	403,456	
79,997	110,548	1,102,603	61,031	
31,328	841,445	1,518,326	230,892	
3,832	11,335	397,346	39,808	
-	-	1,076,337	-	
-	246	199,484	-	
4,534	13,036	200,557	123,959	
-	10,907	54,784	-	
84,320	90,680	1,069,340	42,667	
-	41,375	749,991	263,958	
<u>383,051</u>	<u>1,443,217</u>	<u>10,122,093</u>	<u>1,165,771</u>	
52,701	(304,520)	1,449,048	250,175	
-	-	20,893	-	
5,685	72	79,536	11,844	
-		(108,943)	265	
<u>5,685</u>	<u>72</u>	<u>(8,514)</u>	<u>12,109</u>	
58,386	(304,448)	1,440,534	262,284	
-	274,418	274,418	53,230	
(50,000)	-	(210,000)	-	
(50,000)	274,418	64,418	53,230	
8,386	(30,030)	1,504,952	315,514	
300,886	7,370,186	19,668,284	1,321,005	
<u>\$ 309,272</u>	<u>\$ 7,340,156</u>	<u>\$ 21,173,236</u>	<u>\$ 1,636,519</u>	

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 4,207,400	\$ 4,607,003
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(1,937,637)	(1,491,356)
Cash payments to employees for services	(1,154,147)	(1,408,537)
Net cash provided by operating activities	1,115,616	1,707,110
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	-
Transfers paid	(55,000)	(74,000)
Net cash used by noncapital financing activities	(55,000)	(53,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	-	-
Acquisition and construction of capital assets	(568,094)	(350,304)
Principal paid on long term debt	(96,200)	(143,000)
Interest paid on long term debt	(77,847)	(31,354)
Proceeds from the sale of capital assets	-	-
Net cash (used) by capital and related financing activities	(742,141)	(524,658)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	36,072	33,183
Net cash provided by investing activities	36,072	33,183
Net increase (decrease) in cash and cash equivalents	354,547	1,162,528
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,874,395	2,127,926
End of year	\$ 3,228,942	\$ 3,290,454
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ 898,474	\$ 1,180,868
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	130,005	358,398
Pension expense	54,244	67,976
(Increase) decrease in current assets:		
Accounts receivable	(63,467)	(105,297)
Intergovernmental receivables	-	-
Inventory	1,636	1,737
Prepaid items	2,614	4,053
Increase (decrease) in liabilities:		
Accounts payable	83,519	176,527
Accrued liabilities	15,762	15,850
Deposits payable	(12,120)	-
Compensated absences	4,949	6,998
Net cash provided by operating activities	\$ 1,115,616	\$ 1,707,110

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2016.

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	
\$ 1,234,503	\$ 432,261	\$ 1,403,246	\$ 11,884,413	\$ -	1,415,946
(595,732)	(191,761)	(1,233,909)	(5,450,395)		(410,736)
(502,804)	(165,458)	(305,188)	(3,536,134)		(381,366)
<u>135,967</u>	<u>75,042</u>	<u>(135,851)</u>	<u>2,897,884</u>		<u>623,844</u>
		274,418	274,418	53,230	
(31,000)	(50,000)	-	(210,000)		-
<u>(31,000)</u>	<u>(50,000)</u>	<u>274,418</u>	<u>85,311</u>		<u>53,230</u>
(61,984)	-	(39,619)	(1,020,001)		(299,188)
-	-	-	(239,200)		(26,225)
-	-	-	(109,201)		265
<u>(61,984)</u>	<u>-</u>	<u>(39,619)</u>	<u>(1,368,402)</u>		<u>(325,148)</u>
4,524	5,685	72	79,536	11,844	
<u>4,524</u>	<u>5,685</u>	<u>72</u>	<u>79,536</u>		<u>11,844</u>
47,507	30,727	99,020	1,694,329		363,770
<u>506,154</u>	<u>466,546</u>	<u>54,397</u>	<u>6,029,418</u>		<u>921,732</u>
<u>\$ 553,661</u>	<u>\$ 497,273</u>	<u>\$ 153,417</u>	<u>\$ 7,723,747</u>		<u>\$ 1,285,502</u>
\$ (378,475)	\$ 52,701	\$ (304,520)	\$ 1,449,048	\$ 250,175	
220,213	-	41,375	749,991		263,958
18,014	9,041	15,702	164,977		16,722
-	956	7,555	(160,253)		-
233,098	(4,447)	256,994	485,645		-
-	-	(689)	2,684		7,382
			6,667		
41,758	12,250	(155,023)	159,031	80,239	
7,483	2,979	3,495	45,569	4,072	
-	-	-	(12,120)		-
<u>(6,124)</u>	<u>1,562</u>	<u>(740)</u>	<u>6,645</u>		<u>1,296</u>
<u>\$ 135,967</u>	<u>\$ 75,042</u>	<u>\$ (135,851)</u>	<u>\$ 2,897,884</u>		<u>\$ 623,844</u>

This page intentionally left blank.



FIDUCIARY ACTIVITIES

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

City of Arcata, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2016

Successor Agency
 Former Arcata
 Community
 Development
 Agency

ASSETS	
Current assets:	
Cash and investments	\$ 681,984
Cash and investments with trustee/fiscal agent	1
Due from the City of Arcata	<u>179,512</u>
Total current assets	<u>861,497</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	64,821
Total assets and deferred outflows of resources	<u><u>\$ 926,318</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 2,032
Due within one year	<u>361,612</u>
Total current liabilities	<u>363,644</u>
Long-term liabilities:	
Compensated absences	1,078
Due after one year	<u>5,782,362</u>
Net pension liability	<u>200,211</u>
Total long-term liabilities	<u>5,983,651</u>
Total liabilities	<u>6,347,295</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plan	<u>66,458</u>
Total deferred inflows of resources	<u>66,458</u>
NET POSITION (DEFICIT)	
Net position held in trust for	
Redevelopment Dissolution	<u>(5,487,435)</u>
Total Net Position (deficit)	<u>(5,487,435)</u>
Total liabilities and net position	<u><u>\$ 926,318</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, 2016

	<u>Successor Agency</u>
Former Arcata	Community
Community	Development
Development	Agency
	<hr/>
ADDITIONS:	
Property taxes	\$ 535,188
Investment income	22,151
Other additions	200,533
Transfer from City	-
Gain on refunding	-
Total operating revenues	<hr/> 757,872
DEDUCTIONS:	
Community development	1,266,569
Interest and trustee fees	220,405
Depreciation and amortization	-
Transfer to City	6,812,037
Total operating expenses	<hr/> 8,299,011
CHANGE IN FIDUCIARY NET ASSETS	<hr/> (7,541,139)
NET ASSETS (DEFICIT):	
Beginning of year	2,053,704
Adjustments	-
Beginning of year, as adjusted	2,053,704
End of year	<hr/> \$ (5,487,435)

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

This page intentionally left blank.



NOTES TO BASIC FINANCIAL STATEMENTS

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

Index to Notes to Basic Financial Statements

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	51
Financial Reporting Entity.....	52
Basis of Presentation.....	52
Measurement Focus	54
Basis of Accounting.....	54
Assets, Liabilities, and Equity	55
Revenues, Expenditures, and Expenses.....	60
Budgetary Accounting	61
Note 2 – Cash and Investments	63
Note 3 – Accounts Receivable	67
Note 4 – Loans and Notes Receivable	67
Note 5 – Capital Assets	69
Note 6 – Accounts Payable and Accrued Liabilities	71
Note 7 – Long-term Liabilities	71
Note 8 – Net Position/Fund Balances	76
Note 9 – Interfund Transactions	78
Note 10 – Risk Management	80
Note 11 – Public Employee Retirement System	81
Note 12 – Other Post-Employment Benefits	87
Note 13 – Successor Agency for Assets of Former Redevelopment Agency	90
Note 14 – Commitments and Contingencies	92
Note 15 – New Accounting Pronouncements	92

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Accounting, Continued

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

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

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

Assets, Liabilities, and Equity

Cash Deposits and Investments

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

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

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, 2016

2. CASH AND INVESTMENTS

At June 30, 2016, 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	\$ -	\$ -	\$ -	\$ 7,806,925	\$ 7,806,925
Petty cash	-	-	-	1,325	1,325
Total pooled items	-	-	-	7,808,250	7,808,250
<u>Pooled investments, at fair value</u>					
Interest obligations					
Par	Rate				
\$ 4,991,000	0.375 - 2.05%	Federal Agency Securities	694,502	2,231,512	2,003,774
1,813,000	0.700 - 2.300%	Corporate notes	374,507	1,329,505	425,630
3,940,000	0.25 - 2.050%	US Treasury Notes	315,449	2,210,996	1,755,339
		Cash equivalent	28,151	-	-
			3,245,677	-	-
State of California Local Agency Investment Fund					
Total pooled investments - interest obligations			4,658,286	5,772,013	4,184,743
Total cash equivalents and investments pooled			\$ 4,658,286	\$ 5,772,013	\$ 4,184,743
<u>Amounts reported in:</u>					
Governmental activities					\$ 11,354,455
Governmental activities - Restricted					2,663,105
Business-type activities					7,723,747
Fiduciary activities					681,985
Total					\$ 22,423,292
<u>Investment Type</u>					
			Fair Value		Maturity (Years)
U.S. Treasury notes			\$ 4,281,784		2.69
Federal agency securities			4,929,788		2.69
Corporate notes			2,129,642		2.09
Money market funds			28,151		-
State investment pool			3,245,677		0.46
Total fair value			<u>\$ 14,615,042</u>		
Portfolio weighted average maturity					2.10

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, 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, 2016

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, 2016, 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 1.55% 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, 2016

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, 2016, the carrying amount of the City's deposits was \$8,108,335 and the balances in financial institutions were \$8,251,223. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$8,001,223 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, 2016, 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, 2016 was \$22,712,084,628 of which the City had a balance of \$3,245,677. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2016 has a portfolio with market valuation of \$75,442,588 thousand. Of the total invested, 98.45% was invested in non-derivative financial products and 1.55% 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, 2016

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 121,678	\$ (900)	\$ 120,778
Intergovernmental	2,066,253	-	2,066,253
Taxes	565,755	-	565,755
	<u>\$ 2,753,686</u>	<u>\$ (900)</u>	<u>\$ 2,752,786</u>
Business-type activities			
Accounts receivable	\$ 1,172,475	\$ (57,500)	\$ 1,114,975
Intergovernmental	104,159	-	104,159
	<u>\$ 1,276,634</u>	<u>\$ (57,500)</u>	<u>\$ 1,219,134</u>

These amounts resulted in the following concentrations in receivables:

Other Governments 68.89%
 Individuals/Business 31.11%

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, 2016, consisted of the following:

	<u>Beginning</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>June 30, 2016</u>
Community Development Block Grant	\$ 3,736,789	\$ 3,677,613	\$ -	\$ 7,414,402
HOME loans	11,635,480	-	(148,309)	11,487,171
Basic business revolving loans	95,247	-	(6,062)	89,185
Mobile home park low income housing assistance	1,721,299	-	-	1,721,299
First time home buyers	180,538	-	(17,335)	163,203
Rehabilitation loans	880,000	-	-	880,000
Housing successor loans	2,359,298	-	(232)	2,359,066
Total loans/notes receivable	<u>\$ 20,608,651</u>	<u>\$ 3,677,613</u>	<u>\$ (171,938)</u>	<u>\$ 24,114,326</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

4. LOANS AND NOTES RECEIVABLE, *continued*

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

Community Development Block Grant – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2016, was \$7,414,402.

HOME Loans – The City participates in a HOME Loan program. The program is federally funded and provides loans for first-time homebuyers to eligible participants. The City makes loans available to resident homeowners who qualify as low income. These loans are deferred and the City maintains an equity sharing agreement with the participant. The balance of these loans at June 30, 2015, was \$11,487,171.

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, 2016, was \$89,185.

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, 2016, 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, 2016, was \$163,203.

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, 2016, was \$880,000.

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, the balance of this promissory note was \$3,359,066.

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Governmental activities:					
Nondepreciable assets:					
Land	\$ 15,588,539	\$ 2,386,524	\$ (1,761,882)	\$ -	\$ 16,213,181
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	15,678,564	2,386,524	(1,761,882)	-	16,303,206
Depreciable assets:					
Buildings and structures	12,382,517	157,379	(342,220)	-	12,197,676
Furniture and equipment	5,235,407	-	(300)	-	5,235,107
Improvements	5,654,949	699,052	-	-	6,354,001
Infrastructure	44,364,873	853,226	(367,995)	-	44,850,104
Vehicles	3,840,421	299,187	-	-	4,139,608
Total depreciable assets	71,478,167	2,008,844	(710,515)	-	72,776,496
Total	87,156,731	4,395,368	(2,472,397)	-	89,079,702
Accumulated depreciation:					
Buildings and structures	(6,521,521)	(270,189)	68,444	-	(6,723,266)
Furniture and equipment	(4,476,695)	(141,605)	77,024	-	(4,541,276)
Improvements	(2,876,168)	(181,960)	-	-	(3,058,128)
Infrastructure	(38,441,050)	(965,174)	-	-	(39,406,224)
Vehicles	(2,998,870)	(333,715)	-	-	(3,332,585)
Total accumulated depreciation	(55,314,304)	(1,892,643)	145,468	-	(57,061,479)
Net depreciable assets	16,163,863	116,201	(565,047)	-	15,715,017
Total net capital assets	\$ 31,842,427	\$ 2,502,725	\$ (2,326,929)	\$ -	\$ 32,018,223

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

General government	\$ 158,288
Public safety	89,042
Public works	1,116,442
Community development	95,655
Parks and recreation	92,235
Central Garage	377,780
Information Technology	7,016
	\$ 1,936,458

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

5. CAPITAL ASSETS, *continued*

Business-type capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Business-type activities					
Nondepreciable assets:					
Land	\$ 7,390,409	\$ 5,770	\$ -	\$ -	\$ 7,396,179
Total nondepreciable assets	7,390,409	5,770	-	-	7,396,179
Depreciable assets:					
Underground facilities	8,559,327	-	-	-	8,559,327
Buildings and structures	9,247,339	11,076	-	-	9,258,415
Furniture and equipment	3,105,375	-	(155,010)	21,551	2,971,916
Other improvements	6,975,042	952,298	(3,950)	(19,581)	7,903,809
Vehicles	2,747,479	49,340	(19,968)	-	2,776,851
Total depreciable assets	30,634,562	1,012,714	(178,928)	1,970	31,470,318
Total	38,024,971	1,018,484	(178,928)	1,970	38,866,497
Accumulated depreciation:					
Undergrounding facilities	(4,376,273)	(162,259)	-	-	(4,538,532)
Buildings and structures	(6,304,229)	(233,796)	-	(20,895)	(6,558,920)
Furniture and equipment	(2,892,698)	(31,877)	155,010	(1,557)	(2,771,122)
Other improvements	(3,040,195)	(142,546)	3,900	19,582	(3,159,259)
Vehicles	(1,099,343)	(179,513)	19,968	2,467	(1,256,421)
Total accumulated depreciation	(17,712,738)	(749,991)	178,878	(403)	(18,284,254)
Net depreciable assets	12,921,824	262,723	(50)	1,567	13,186,064
Total net capital assets	\$ 20,312,233	\$ 268,493	\$ (50)	\$ 1,567	\$ 20,582,243

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

Water	\$ 130,005
Wastewater	358,398
Transit	220,213
Solid Waste	-
Stormwater	41,375
	\$ 749,991

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2016:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 595,372	\$ 760,301	\$ 101	\$ 1,355,774
Accrued payroll and related liabilities	644,599	157,365	1,931	803,895
Total	\$ 1,239,971	\$ 917,666	\$ 2,032	\$ 2,159,669

These amounts resulted in the following concentrations in payables:

Vendors	63%
Employees	37%

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, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 57,334	\$ -	\$ (13,401)	\$ 43,933	\$ 14,005
2015 Refunding of 2008 Lease Governmental share	1,002,050	-	(51,800)	950,250	33,950
CalPERS UAL Debt	-	3,226,000	-	3,226,000	515,000
Total governmental debt	\$ 1,059,384	\$ 3,226,000	\$ (65,201)	\$ 4,220,183	\$ 562,955
Compensated absences	397,724	143,543	(99,431)	441,836	110,458
Net OPEB obligation	1,224,545	279,633	-	1,504,178	-
Total governmental activities	\$ 2,681,653	\$ 3,649,176	\$ (164,632)	\$ 6,166,197	\$ 673,413
Business-type activities					
2015 Refunding of 2008 Loan	1,307,000	-	(143,000)	1,164,000	155,000
2015 Refunding of 2008 Lease Water Enterprise Share	1,860,950	-	(96,200)	1,764,750	63,050
Total business-type activity debt	3,167,950	-	(239,200)	2,928,750	218,050
Compensated absences	149,737	44,079	(37,434)	156,382	39,096
Total business-type activities	\$ 3,317,687	\$ 44,079	\$ (276,634)	\$ 3,085,132	\$ 257,146
Fiduciary Activities:					
2015 Tax Allocation Refunding Bonds	\$ 6,655,926	\$ -	\$ (511,952)	\$ 6,143,974	\$ 361,612
Total fiduciary activity debt	\$ 6,655,926	\$ -	\$ (511,952)	\$ 6,143,974	\$ 361,612

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

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, 2016, was \$43,933.

2015 Refunding of 2008 Lease

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

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
Basic Financial Statements
For the year ended June 30, 2016**

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 \$598,218 at June 30, 2016, of that amount \$149,554 is expected to be paid within a year.

Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2016, the City had a Net OPEB Obligation of \$1,504,178. See Note 12 for further discussion on OPEB.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

7. LONG-TERM LIABILITIES, *continued*

Debt Service

Future debt service for Governmental Activities at June 30, 2016, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	Capital Lease Obligations		2015 Refunding of 2008 Lease		CalPERS UAL Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 14,005	\$ 1,977	\$ 33,950	\$ 39,435	\$ 515,000	\$ 170,969
2018	14,635	1,347	35,350	38,026	517,000	96,863
2019	15,293	688	36,750	36,560	414,000	78,431
2020	-	-	38,150	35,034	301,000	63,956
2021	-	-	39,900	33,451	279,000	52,875
2022 - 2026	-	-	225,050	141,096	999,000	130,013
2027 - 2031	-	-	276,150	90,302	201,000	10,313
2032 - 2036	-	-	264,950	28,048	-	-
Total	<u>\$ 43,933</u>	<u>\$ 4,012</u>	<u>\$ 950,250</u>	<u>\$ 441,952</u>	<u>\$ 3,226,000</u>	<u>\$ 603,420</u>
Due within one year	\$ 14,005	\$ 1,977	\$ 33,950	\$ 39,435	\$ 515,000	\$ 170,969
Due after one year	<u>29,928</u>	<u>2,035</u>	<u>916,300</u>	<u>402,517</u>	<u>2,711,000</u>	<u>432,451</u>
Total	<u>\$ 43,933</u>	<u>\$ 4,012</u>	<u>\$ 950,250</u>	<u>\$ 441,952</u>	<u>\$ 3,226,000</u>	<u>\$ 603,420</u>
Year Ending June 30,	Total					
	Principal	Interest				
2017	\$ 562,955	\$ 212,381				
2018	566,985	136,236				
2019	466,043	115,679				
2020	339,150	98,990				
2021	318,900	86,326				
2022 - 2026	1,224,050	271,109				
2027 - 2031	477,150	100,615				
2032 - 2036	264,950	28,048				
Total	<u>\$ 4,220,183</u>	<u>\$ 1,049,384</u>				
Due within one year	\$ 562,955	\$ 212,381				
Due after one year	<u>3,657,228</u>	<u>837,003</u>				
Total	<u>\$ 4,220,183</u>	<u>\$ 1,049,384</u>				

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

7. LONG-TERM LIABILITIES, continued

Future debt service for Business-type Activities at June 30, 2016, is as follows:

Year Ending June 30,	Business Type Activities					
	2015 Refunding of 2008 Loan		2015 Refunding of 2008 Lease		Water Enterprise share	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 155,000	\$ 25,750	\$ 63,050	\$ 73,237	\$ 218,050	\$ 98,987
2017	159,000	22,029	65,650	70,621	224,650	92,650
2018	162,000	18,225	68,250	67,896	230,250	86,121
2019	166,000	14,339	70,850	65,064	236,850	79,403
2020	170,000	10357	74,100	62,123	244,100	72,480
2021 - 2025	352,000	8,390	417,950	262,035	769,950	270,425
2026 - 2030	-	-	512,850	167,704	512,850	167,704
2031 - 2035	-	-	492,050	52,089	492,050	52,089
Total	<u>\$ 1,164,000</u>	<u>\$ 99,090</u>	<u>\$ 1,764,750</u>	<u>\$ 820,769</u>	<u>\$ 2,928,750</u>	<u>\$ 919,859</u>
Due within one year	\$ 155,000	\$ 25,750	\$ 63,050	\$ 73,237	\$ 218,050	\$ 98,987
Due after one year	<u>1,009,000</u>	<u>73,340</u>	<u>1,701,700</u>	<u>747,532</u>	<u>2,710,700</u>	<u>820,872</u>
Total	<u>\$ 1,164,000</u>	<u>\$ 99,090</u>	<u>\$ 1,764,750</u>	<u>\$ 820,769</u>	<u>\$ 2,928,750</u>	<u>\$ 919,859</u>

Future debt service for all debt, except compensated absences and claims liabilities, of Fiduciary Activities at June 30, 2016, is as follows

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2017	\$ 361,612	\$ 202,825
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021	215,999	154,398
2022-2026	1,633,356	662,991
2027-2031	2,688,716	265,638
2032-2036	143,193	2,398
Total	<u>\$ 6,143,974</u>	<u>\$ 1,821,702</u>
Due within one year	\$ 361,612	\$ 202,825
Due after one year	<u>5,782,362</u>	<u>1,618,877</u>
Total	<u>\$ 6,143,974</u>	<u>\$ 1,821,702</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

8. NET POSITION/ FUND BALANCES

Net position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 27,841,973	\$ 17,871,543	\$ 45,713,516
Restricted	1,651,639	-	1,651,639
Unrestricted	21,236,340	3,301,693	24,538,033
Total	\$ 50,729,952	\$ 21,173,236	\$ 71,903,188

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

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2016:

Nonspendable:	
Inventory	\$ 123,332
Total Nonspendable	\$ 123,332
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 127,869
Housing Revolving	424,606
Traffic Safety	85,154
Gas Tax	531,792
Federal Grants	482,218
Total Restricted	\$ 1,651,639

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

8. NET POSITION/ FUND BALANCES, continued

- **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.

Fund Balance Deficits

Deficit fund balances consisted of the following:

	<u>As of</u> <u>June 30, 2016</u>
Major Funds	
STIP	\$ 7,357
Total Major Funds	<u>7,357</u>
Nonmajor Special Revenue Funds:	
Federal Grant Funds:	
HOME Grants	11,397
Total Nonmajor Funds	<u>11,397</u>
Total Fund Balance Deficits	<u><u>\$ 18,754</u></u>

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

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2016, for the following funds:

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
<u>Major Funds</u>			
<u>Special Revenue Funds</u>			
CDBG Housing	\$ 1,755,962	\$ 1,837,853	\$ (81,891)
STIP	225,588	285,272	(59,684)
<u>Nonmajor Funds</u>			
<u>Special Revenue Funds:</u>			
Forest Management	311,511	1,173,975	(862,464)
Public Improvement Program	-	1,320,297	(1,320,297)

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016:

	Due from Other Funds	Due to Other Funds
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 10,113	\$ 8,563
CDBG Housing Revolving Loan	10,793	-
Housing Revolving	22,092	-
STIP	-	271,856
Total Major Funds	42,998	280,419
Nonmajor Funds:		
Public Improvement Program	-	1,550
HUD Block Grant	-	10,793
State Gas Tax 2017	271,856	-
HOME Grants	-	22,092
Total Nonmajor Funds	271,856	34,435
Total Governmental Funds	314,854	314,854
Total Transfers	\$ 314,854	\$ 314,854

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
Basic Financial Statements
For the year ended June 30, 2016

9. INTERFUND TRANSACTIONS, *continued*

Transfers consisted of the following at June 30, 2016:

	Transfers In	Transfers Out
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ -	\$ 617,879
CDBG Housing	- -	75,643
Housing Revolving	44,416	-
Total Major Funds	<u>44,416</u>	<u>693,522</u>
Nonmajor Funds:		
Special Revenue Funds		
Traffic Safety	123,728	-
Industrial Park	- -	3,000
Gas Tax 2107 and 2107.5	653,269	-
HUD Block Grant	20,532	-
ISTEA	- -	57,500
HOME Grants	10,695	-
In Lieu Fee	- -	94,922
Janes Creek Meadows	- -	15,000
Windsong	- -	15,000
Capital Projects Fund		
City Capital Projects Fund	- -	91,344
Total Nonmajor Funds	<u>808,224</u>	<u>276,766</u>
Total Governmental Funds	<u>852,640</u>	<u>970,288</u>
<u>Proprietary Funds</u>		
Water	- -	55,000
Wastewater	- -	74,000
Transit	- -	31,000
Solid waste	- -	50,000
Stormwater	274,418	-
Total Proprietary Funds	<u>274,418</u>	<u>210,000</u>
<u>Internal Service Funds</u>		
Central Garage	50,323	-
Information Technology	2,907	-
Total Internal Service Funds	<u>53,230</u>	<u>-</u>
Total	\$ 1,180,288	\$ 1,180,288

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

10. RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMF), 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, 2015, the most recent period available:

Total assets	\$ 18,342,019
Total deferred outflows of resources	259,592
Total liabilities	(20,949,852)
Total Deferred inflows of resources	(338,476)
Members' equity	<u><u>\$ (2,686,717)</u></u>
Total revenue	\$ 8,748,360
Total expense	(12,424,822)
Operating income (loss)	<u><u>\$ (3,676,462)</u></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
Basic Financial Statements
For the year ended June 30, 2016

10. RISK MANAGEMENT, *Continued*

The City of Arcata participates in the following REMIF programs:

General Liability Insurance

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

Worker's Compensation

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

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

Property Insurance

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

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, 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	10.958%	8.003%
	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	2.37%	18.524%
	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	15.627%	11.153%

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

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

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

As of June 30, 2016, 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	\$ 11,755,277
Miscellaneous Second Tier	(3,407)
PEPRA Miscellaneous	(843)
Safety	6,020,390
Safety Second Tier	(5,886)
PEPRA Safety Police	(768)
Total Net Pension Liability	\$ 17,764,763

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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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

The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2014 was as follows:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safey	Safety Second Tier	PEPRA Safety Police
Proportion - June 30, 2014	0.15990%	0.00006%	0.00000%	0.08723%	0.00006%	0.00000%
Proportion - June 30, 2015	0.42848%	-0.00012%	-0.00003%	0.14611%	-0.00014%	-0.00002%
Change - Increase (Decrease)	0.26858%	-0.00018%	-0.00003%	0.05888%	-0.00020%	-0.00002%

For the year ended June 30, 2016, the City recognized pension expense of \$679,756. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	\$ 2,176,088	\$ -
Adjustments due to differences in proportion	736,495.00	-
Changes in assumptions	-	(1,074,261)
Differences between the employer's contributions and the employer's proportionate share of the contributions	-	(2,218,476)
Differences between expected and actual experiences	71,913	(85,643)
Net differences between projected and actual earnings on plan investments	2,724,135	(2,498,492)
Total	\$ 5,708,631	\$ (5,876,872)

\$2,176,088 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun
2016 \$ 810,518
2017 810,518
2018 810,518
2019 675,258
2020 (762,483)
Thereafter -

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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

Actuarial Assumptions -The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safety	Safety Second Tier	PEPRA Safety Police
Valuation Date	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14
Measurement	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
Actuarial Cost Method			Entry-Age Normal Cost Method			
Actuarial Assumptions:						
Discount Rate	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)
Mortality			Derived using CalPERS' Membership Data for all Funds			

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

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

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

Discount Rate -The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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

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

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

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

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

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

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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 (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability as of		Current Discount Rate (7.65%)	
June 30, 2015			
Miscellaneous	\$ 19,714,421	\$ 11,755,277	\$ 5,184,080
Miscellaneous Second Tier	(5,715)	(3,408)	(1,503)
PEPRA Miscellaneous	(1,414)	(843)	(372)
Safety	(1,231)	(768)	(388)
Safety Second Tier	9,652,752	6,050,390	1,767,743
PEPRA Safety Police	(9,438)	(5,886)	(1,728)
Total	<u>\$ 29,349,375</u>	<u>\$ 17,794,762</u>	<u>\$ 6,947,832</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

Plan Description

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

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

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2015-16, the City contributed \$202,692 which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 15 retirees who are receiving benefits.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

12. OTHER POST EMPLOYMENT BENEFITS, *continued*

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 464,978
Interest on net OPEB obligation	58,166
Adjustment to annual required contribution	<u>(40,819)</u>
Annual OPEB cost / expense	482,325
Contributions made	(202,692)
Benefit payments made outside of trust	-
Increase in net OPEB obligation	<u>279,633</u>
Net OPEB obligation - beginning of year	1,224,545
Net OPEB obligation - end of year	<u><u>\$ 1,504,178</u></u>

The City 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 423,764	57%	\$ 1,063,408
6/30/2015	443,893	67%	1,224,545
6/30/2016	464,978	44%	1,504,178

Funded Status and Funding Progress.

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

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

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

12. OTHER POST EMPLOYMENT BENEFITS, Continued

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

Actuarial Methods and Assumptions

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

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

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016**

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, 2016

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

Long-term Liabilities

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

Trust Activities:	Balance		Balance June 30, 2015	Due Within One Year
	July 1, 2015	Additions		
2015 Tax Allocation Refunding Bonds	6,665,926	-	(511,952)	6,153,974
Total trust fund debt	\$ 6,665,926	\$ -	\$ (511,952)	\$ 6,153,974
				\$ 361,612

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, 2016, is as follows

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2017	\$ 361,612	\$ 202,825
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021	215,999	154,398
2022-2026	1,633,356	662,991
2027-2031	2,688,716	265,638
2032-2036	143,193	2,398
Total	\$ 6,143,974	\$ 1,821,702
Due within one year	\$ 361,612	\$ 202,825
Due after one year	5,782,362	1,618,877
Total	\$ 6,143,974	\$ 1,821,702

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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, 2016.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The City implemented this statement for year ended June 30, 2016. The implementation of this statement did not have an effect on the financial statements.

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

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City will evaluate the applicability of the provisions of this Statement and implement it in the applicable year, accordingly.

The GASB has issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year ending June 30, 2017.

The GASB has issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*, as amended, and No. 57, *“OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”*, for OPEB. Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The City implemented this statement for year ended June 30, 2016. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 77, “*Tax Abatement Disclosures*”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION



City of Arcata, California

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

For the year ended June 30, 2016

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

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ 1,063,722	\$ 1,131,712
Contributions in relation to the actuarially determined contributions	<u>(1,063,722)</u>	<u>(1,131,712)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 4,379,641	\$ 5,065,089
Contribution as a percentage of covered-employee payroll	24.29%	22.34%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Second Tier Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ 31,225	\$ 28,452
Contributions in relation to the actuarially determined contributions	<u>(31,225)</u>	<u>(28,452)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 280,050	\$ 263,255
Contribution as a percentage of covered-employee payroll	11.15%	10.81%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

PEPRA Miscellaneous Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ 35,197	\$ 17,406
Contributions in relation to the actuarially determined contributions	<u>(35,197)</u>	<u>17,406</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ 34,812</u></u>
Covered-employee payroll	\$ 548,803	\$ 38,152
Contribution as a percentage of covered-employee payroll	6.41%	45.62%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ 594,256	\$ 553,708
Contributions in relation to the actuarially determined contributions	<u>(594,256)</u>	<u>(553,708)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,570,442	\$ 1,627,185
Contribution as a percentage of covered-employee payroll	37.84%	34.03%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Second Tier Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ (37,501)	\$ 34,223
Contributions in relation to the actuarially determined contributions	<u>37,501</u>	<u>(34,223)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 167,911	\$ 164,511
Contribution as a percentage of covered-employee payroll	-22.33%	20.80%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

PEPRA Safety Police Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	\$ (19,840)	\$ 15,883
Contributions in relation to the actuarially determined contributions	<u>19,840</u>	<u>(15,883)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 171,524	\$ 48,950
Contribution as a percentage of covered-employee payroll	-11.57%	32.45%

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were 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*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.42848%	0.15990%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 11,755,277	\$ 9,949,800
Plan's Covered-Employee Payroll	\$ 4,379,641	\$ 5,065,089
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	268.41%	196.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.59%	77.07%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 1,352,874	\$ 904,392

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

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

Miscellaneous Second Tier Plan

Last 10 Fiscal Years*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	-0.00012%	0.00006%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (3,408)	\$ 3,950
Plan's Covered-Employee Payroll	\$ 280,050	\$ 263,255
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-1.22%	1.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	104.57%	83.03%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 39,714	\$ 523

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability PEPRA Miscellaneous Plan Last 10 Fiscal Years*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	-0.00003%	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (843)	\$ 51
Plan's Covered-Employee Payroll	\$ 548,803	\$ 38,152
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-0.15%	0.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	102.15%	82.83%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 45,081	\$ 7

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were 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*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.14611%	0.08723%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 6,020,390	\$ 5,427,839
Plan's Covered-Employee Payroll	\$ 1,570,442	\$ 1,627,185
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	383.36%	333.57%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.17%	76.22%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 711,601	\$ 492,676

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

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

Safety Second Tier Plan
Last 10 Fiscal Years*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	-0.01400%	0.00006%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (5,886)	\$ 3,923
Plan's Covered-Employee Payroll	\$ 167,911	\$ 164,511
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-3.51%	2.38%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	109.55%	81.42%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 45,052	\$ 487

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

City of Arcata, California

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

PEPRA Safety Police Plan
Last 10 Fiscal Years*

	2015	2014
Plan's Proportion of the Net Pension Liability/(Asset)	-0.00002%	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (768)	\$ 73
Plan's Covered-Employee Payroll	\$ 171,524	\$ 48,950
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-0.45%	0.15%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	101.96%	81.47%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 25,154	\$ 9

Notes to Schedule

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

* - Fiscal year 2014 was the first year of implementation, therefore only the first two years were available.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This page intentionally left blank.



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, 2016

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
ASSETS			
Cash and investments	\$ 1,592,993	\$ 163,243	\$ 1,756,236
Restricted cash and investments	2,663,105	-	2,663,105
Receivables:			
Intergovernmental	556,927	-	556,927
Inventory	120,690	-	120,690
Total assets	\$ 5,206,171	\$ 163,243	\$ 5,369,414
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 219,240	\$ -	\$ 219,240
Due to other funds	34,435	-	34,435
Deposits Payable	21,865	-	21,865
Total liabilities:	275,540	-	275,540
Deferred inflows of resources:			
Unavailable revenue	-		-
Total deferred inflows of resources	-	-	-
Total liabilities and deferred inflows	275,540	-	275,540
Fund Balances:			
Nonspendable	120,690	-	120,690
Restricted	1,099,164	-	1,099,164
Assigned	3,722,174	163,243	3,885,417
Unassigned (deficit)	(11,397)	-	(11,397)
Total fund balances	4,930,631	163,243	5,093,874
Total liabilities, deferred inflows and fund balances	\$ 5,206,171	\$ 163,243	\$ 5,369,414

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2016

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
REVENUES:			
Taxes and assessments	\$ 30,796	\$ -	\$ 30,796
Licenses and permits	3,888	-	3,888
Fines and forfeitures	109,364	-	109,364
Intergovernmental	3,406,374	-	3,406,374
Use of money and property	259,576	2,271	261,847
Reimbursements	2,828	-	2,828
Other revenues	1,254,007	-	1,254,007
Total revenues	5,066,833	2,271	5,069,104
EXPENDITURES:			
Current:			
Public safety	278,152	-	278,152
Public works	796,170	-	796,170
Community development	3,680,088	-	3,680,088
Parks and recreation	287,906	-	287,906
Capital outlay	1,388,688	-	1,388,688
Total expenditures	6,431,004	-	6,431,004
REVENUES OVER (UNDER) EXPENDITURES	(1,364,171)	2,271	(1,361,900)
OTHER FINANCING SOURCES (USES):			
Transfer from private purpose trust	3,938,761	-	3,938,761
Transfers in	808,224	-	808,224
Transfers out	(185,422)	(91,344)	(276,766)
Total other financing sources (uses)	4,561,563	(91,344)	4,470,219
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	3,197,392	(89,073)	3,108,319
FUND BALANCES:			
Beginning of year	1,733,239	252,316	1,985,555
End of year	\$ 4,930,631	\$ 163,243	\$ 5,093,874

This page intentionally left blank.



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:	
Curtis Heights	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Janes Creek Meadows	
Windsong	

(concluded)

This page intentionally left blank.



City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	Forest Management	Traffic Safety	Industrial Park
ASSETS			
Cash and investments	\$ 365,605	\$ 72,617	\$ 305,324
Restricted cash and investments	-	-	-
Receivables:			
Intergovernmental	-	21,077	-
Other receivable	-	-	600
Due from other funds	-	-	-
Inventory	-	119,154	-
Total assets	\$ 365,605	\$ 212,848	\$ 305,924
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,527	\$ 8,540	\$ 7,287
Due to other funds	-	-	-
Deposits payable	-	-	21,865
Total liabilities:	9,527	8,540	29,152
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources:	-	-	-
Total liabilities and deferred inflows	9,527	8,540	29,152
Fund Balances:			
Nonspendable	-	119,154	-
Restricted	-	85,154	-
Assigned	356,078	-	276,772
Unassigned (deficit)	-	-	-
Total fund balances	356,078	204,308	276,772
Total liabilities deferred inflows and fund balances	\$ 365,605	\$ 212,848	\$ 305,924

Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds		Totals
				District Funds		
\$ - 2,663,105	\$ 298,598	\$ 124,052	\$ 410,042	\$ 16,755	\$ 1,592,993	
	-	-	-	-	-	2,663,105
	31,863	502,703	-	1,284	556,927	
	-	-	-	-	-	600
	271,856	-	-	-	-	271,856
	1,536	-	-	-	-	120,690
\$ 2,663,105	\$ 603,853	\$ 626,755	\$ 410,042	\$ 18,039	\$ 5,206,171	
\$ 312 1,550	\$ 70,525	\$ 123,049	\$ -	\$ -	\$ 219,240	
	-	32,885	-	-	-	34,435
	-	-	-	-	-	21,865
1,862	70,525	155,934	-	-	-	275,540
1,862	70,525	155,934	-	-	-	275,540
- 2,661,243	1,536 531,792	- 482,218	- 410,042	18,039	120,690 1,099,164	
	-	-	-	-	-	3,722,174
	(11,397)		-	-	-	(11,397)
2,661,243	533,328	470,821	410,042	18,039	4,930,631	
\$ 2,663,105	\$ 603,853	\$ 626,755	\$ 410,042	\$ 18,039	\$ 5,206,171	

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the year ended June 30, 2016

	Forest Management	Traffic Safety	Industrial Park
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	109,364	-
Intergovernmental	-	-	-
Use of money and property	3,958	586	206,272
Reimbursements	-	-	-
Other revenues	<u>1,254,007</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,257,965</u>	<u>109,950</u>	<u>206,272</u>
EXPENDITURES:			
Current:			
Public safety	-	203,108	-
Public works	-	-	-
Community development	-	-	136,193
Parks and recreation	287,906	-	-
Capital outlay	<u>886,069</u>	<u>-</u>	<u>7,062</u>
Total expenditures	<u>1,173,975</u>	<u>203,108</u>	<u>143,255</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>83,990</u>	<u>(93,158)</u>	<u>63,017</u>
OTHER FINANCING SOURCES (USES):			
Transfer from private purpose trust	-	-	-
Transfers in	-	123,728	-
Transfers out	-	-	(3,000)
Total other financing sources and uses	-	123,728	(3,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	83,990	30,570	60,017
FUND BALANCES (DEFICITS):			
Beginning of year	<u>272,088</u>	<u>173,738</u>	<u>216,755</u>
End of year	<u>\$ 356,078</u>	<u>\$ 204,308</u>	<u>\$ 276,772</u>

Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ 3,888	\$ 30,796	\$ 30,796
-	-	-	-	-	3,888
-	-	-	-	-	109,364
-	387,214	3,019,160	-	-	3,406,374
42,779	-	692	5,080	209	259,576
-	2,828	-	-	-	2,828
-	-	-	-	-	1,254,007
42,779	390,042	3,019,852	8,968	31,005	5,066,833
-	-	75,044	-	-	278,152
-	794,024	2,146	-	-	796,170
1,320,297	-	2,223,598	-	-	3,680,088
-	-	-	-	-	287,906
-	321,414	174,143	-	-	1,388,688
1,320,297	1,115,438	2,474,931	-	-	6,431,004
(1,277,518)	(725,396)	544,921	8,968	31,005	(1,364,171)
3,938,761	-	-	-	-	3,938,761
-	653,269	31,227	-	-	808,224
	-	(57,500)	(94,922)	(30,000)	(185,422)
3,938,761	653,269	(26,273)	(94,922)	(30,000)	4,561,563
2,661,243	(72,127)	518,648	(85,954)	1,005	3,197,392
-	605,455	(47,827)	495,996	17,034	1,733,239
\$ 2,661,243	\$ 533,328	\$ 470,821	\$ 410,042	\$ 18,039	\$ 4,930,631

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, 2016

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 3,958	\$ 2,958
Other revenues	298,000	355,316	1,254,007	898,691
Total revenues	299,000	356,316	1,257,965	901,649
EXPENDITURES:				
Current:				
Parks and recreation	275,195	296,511	287,906	8,605
Capital outlay	15,000	15,000	886,069	(871,069)
Total expenditures	290,195	311,511	1,173,975	(862,464)
REVENUES OVER (UNDER) EXPENDITURES	8,805	44,805	83,990	39,185
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	8,805	44,805	83,990	39,185
FUND BALANCES (DEFICIT):				
Beginning of year	272,088	272,088	272,088	-
End of year	\$ 280,893	\$ 316,893	\$ 356,078	\$ 39,185

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 109,364	\$ 9,364	
Use of money and property	1,000	1,000	586	(414)	
Total revenues	101,000	101,000	109,950		8,950
EXPENDITURES:					
Current:					
Public safety	234,728	\$ 220,728	203,108		17,620
Total expenditures	234,728	220,728	203,108		17,620
REVENUES OVER (UNDER) EXPENDITURES	(133,728)	(119,728)	(93,158)		26,570
OTHER FINANCING SOURCES (USES):					
Transfers in	123,728	123,728	123,728		-
Total other financing sources (uses)	123,728	123,728	123,728		-
Net change in fund balances	(10,000)	4,000	30,570		26,570
FUND BALANCES:					
Beginning of year	173,738	173,738	173,738		-
End of year	\$ 163,738	\$ 177,738	\$ 204,308		\$ 26,570

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, 2016

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 201,000	\$ 201,000	\$ 206,272	\$ 5,272
Total revenues	201,000	201,000	206,272	5,272
EXPENDITURES:				
Current:				
Community development	147,853	153,853	136,193	17,660
Capital outlay	20,000	19,000	7,062	11,938
Total expenditures	167,853	172,853	143,255	29,598
REVENUES OVER (UNDER) EXPENDITURES	33,147	28,147	63,017	34,870
OTHER FINANCING SOURCES (USES):				
Transfers in	(2,000)	(2,000)	(3,000)	(1,000)
Total other financing sources (uses)	(2,000)	(2,000)	(3,000)	(1,000)
Net change in fund balances	31,147	26,147	60,017	33,870
FUND BALANCES (DEFICIT):				
Beginning of year	216,755	216,755	216,755	-
End of year	\$ 247,902	\$ 242,902	\$ 276,772	\$ 33,870

City of Arcata, California

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

Housing Improvement Projects Special Revenue Fund

For the year ended June 30, 2016

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

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, 2016

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 42,779	\$ 42,779
Total revenues	-	-	42,779	42,779
EXPENDITURES:				
Current:				
Community development	-	-	1,320,297	(1,320,297)
Total expenditures	-	-	1,320,297	(1,320,297)
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	(1,277,518)	(1,277,518)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	3,938,761	3,938,761
Total other financing sources (uses)	-	-	3,938,761	3,938,761
Net change in fund balances	-	-	2,661,243	2,661,243
FUND BALANCES (DEFICIT):				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 2,661,243	\$ 2,661,243

City of Arcata, California
Combining Balance Sheet
Gas Tax Special Revenue Funds
June 30, 2016

	2105	2106	2107 & 2107.5	Totals
ASSETS				
Cash and investments	\$ -	\$ -	\$ 298,598	\$ 298,598
Receivables:				
Intergovernmental	-	-	31,863	31,863
Due from other funds	-	-	271,856	271,856
Inventory	-	-	1,536	1,536
Total assets	\$ -	\$ -	\$ 603,853	\$ 603,853
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 70,525	\$ 70,525
Deposits payable	-	-	-	-
Total liabilities	-	-	70,525	70,525
Fund Balances:				
Nonspendable	-	-	1,536	1,536
Restricted	-	-	531,792	531,792
Total fund balances	-	-	533,328	533,328
Total liabilities and fund balances	\$ -	\$ -	\$ 603,853	\$ 603,853

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Gas Tax Special Revenue Funds
For the year ended June 30, 2016

	2105	2106	2107 & 2107.5	Totals
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 387,214	\$ 387,214
Use of money and property	-	-	0	-
Charges for services	-	-	-	-
Reimbursements	-	-	2,828	2,828
Other revenues	-	-	-	-
Total revenues	-	-	390,042	390,042
EXPENDITURES:				
Current:				
Public works	-	-	794,024	794,024
Capital outlay	-	-	321,414	321,414
Total expenditures	-	-	1,115,438	1,115,438
REVENUES OVER (UNDER) EXPENDITURES			(725,396)	(725,396)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	653,269	653,269
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	653,269	653,269
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)			(72,127)	(72,127)
FUND BALANCES:				
Beginning of year	0	0	605,455	605,455
End of year	\$ -	\$ -	\$ 533,328	\$ 533,328

City of Arcata, California**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual****Gas Tax 2105 Special Revenue Fund****For the year ended June 30, 2016**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
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

Gas Tax 2106 Special Revenue Fund

For the year ended June 30, 2016

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

City of Arcata, California

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

Gas Tax 2107 & 2107.5 Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Intergovernmental	\$ 481,700	\$ 481,700	\$ 387,214	\$ (94,486)	
Use of money and property	2,000	2,000	-	(2,000)	
Reimbursements	5,000	5,000	2,828	(2,172)	
Total revenues	488,700	488,700	390,042	(98,658)	
EXPENDITURES:					
Current:					
Public works	900,569	851,719	794,024	57,695	
Capital outlay	215,000	394,652	321,414	73,238	
Total expenditures	1,115,569	1,246,371	1,115,438	130,933	
REVENUES OVER (UNDER) EXPENDITURES	(626,869)	(757,671)	(725,396)	32,275	
OTHER FINANCING SOURCES (USES):					
Transfers in	653,269	653,269	653,269	-	
Transfers out	-	-	-	-	
Total other financing sources (uses)	653,269	653,269	653,269	-	
Net change in fund balances	26,400	(104,402)	(72,127)	32,275	
FUND BALANCES:					
Beginning of year	605,455	605,455	605,455	-	
End of year	\$ 631,855	\$ 501,053	\$ 533,328	\$ 32,275	

City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2016

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
ASSETS				
Cash and investments	\$ -	\$ 6,108	\$ 70,510	\$ 36,739
Receivables:				
Intergovernmental	25,767	452,310	-	24,626
Total assets	\$ 25,767	\$ 458,418	\$ 70,510	\$ 61,365
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,779	\$ 59,123	\$ 62,147	\$ -
Due to other funds	10,793	-	-	-
Total liabilities	12,572	59,123	62,147	-
Fund Balances:				
Restricted	13,195	399,295	8,363	61,365
Unassigned (deficit)	-	-	-	-
Total fund balances	13,195	399,295	8,363	61,365
Total liabilities and fund balances	\$ 25,767	\$ 458,418	\$ 70,510	\$ 61,365

HOME Grants	Totals
----------------	--------

\$ 10,695	\$ 124,052
<hr/>	<hr/>
-	502,703
<hr/>	<hr/>
<u>\$ 10,695</u>	<u>\$ 626,755</u>

\$ -	\$ 123,049
<hr/>	<hr/>
22,092	32,885
<hr/>	<hr/>
22,092	155,934

-	482,218
<hr/>	<hr/>
(11,397)	(11,397)
<hr/>	<hr/>
(11,397)	470,821
<hr/>	<hr/>
<u>\$ 10,695</u>	<u>\$ 626,755</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, 2016

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ 2,241,260	\$ 654,340	\$ 7,950	\$ 115,610
Use of money and property	-	-	413	279
Total revenues	2,241,260	654,340	8,363	115,889
EXPENDITURES:				
Current:				
Public safety	-	-	-	75,044
Public works	-	2,146	-	-
Community development	2,223,598	-	-	-
Capital outlay	-	174,143	-	-
Total expenditures	2,223,598	176,289	-	75,044
REVENUES OVER (UNDER) EXPENDITURES	17,662	478,051	8,363	40,845
OTHER FINANCING SOURCES (USES):				
Transfers in	20,532	-	-	-
Transfers out	-	(57,500)	-	-
Total other financing sources and uses	20,532	(57,500)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	38,194	420,551	8,363	40,845
FUND BALANCES (DEFICIT):				
Beginning of year	(24,999)	(21,256)	-	20,520
End of year	\$ 13,195	\$ 399,295	\$ 8,363	\$ 61,365

HOME		
Grants		Totals
\$	-	\$ 3,019,160
	-	692
	-	<u>3,019,852</u>
	-	75,044
	-	2,146
	-	2,223,598
	-	<u>174,143</u>
	-	<u>2,474,931</u>
	-	<u>544,921</u>
10,695		31,227
-		(57,500)
10,695		(26,273)
10,695		518,648
(22,092)		(47,827)
\$ (11,397)		<u>\$ 470,821</u>

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, 2016

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 1,800,000	\$ 4,164,492	\$ 2,241,260	\$ (1,923,232)
Total revenues	1,800,000	4,164,492	2,241,260	(1,923,232)
EXPENDITURES:				
Current:				
Community development	1,800,000	4,165,492	2,223,598	1,941,894
Total expenditures	1,800,000	4,165,492	2,223,598	1,941,894
REVENUES OVER (UNDER) EXPENDITURES	-	(1,000)	17,662	18,662
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	20,532	20,532
Total other financing sources (uses)	-	-	20,532	20,532
Net change in fund balances	-	(1,000)	38,194	39,194
FUND BALANCES:				
Beginning of year	(24,999)	(24,999)	(24,999)	-
End of year	\$ (24,999)	\$ (25,999)	\$ 13,195	\$ 39,194

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Intergovernmental	\$ 4,194,000	\$ 4,287,748	\$ 654,340	\$ (3,633,408)	
Use of money and property	2,000	2,000	-	(2,000)	
 Total revenues	4,196,000	4,289,748	654,340		(3,635,408)
EXPENDITURES:					
Current:					
Public works	7,500	7,500	2,146		5,354
Capital outlay	4,100,000	4,193,748	174,143		4,019,605
 Total expenditures	4,107,500	4,201,248	176,289		4,024,959
REVENUES OVER (UNDER)					
EXPENDITURES	88,500	88,500	478,051		389,551
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of long-term debt	-	-	-		-
Payments to refunding bond escrow agent	-	-	-		-
Transfers in	(57,500)	(57,500)	-		57,500
Transfers out	-	-	(57,500)		(57,500)
 Total other financing sources (uses)	(57,500)	(57,500)	(57,500)		-
Net change in fund balances	31,000	31,000	420,551		389,551
FUND BALANCES:					
Beginning of year	-	-	(21,256)		(21,256)
 End of year	\$ 31,000	\$ 31,000	\$ 399,295		\$ 368,295

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Intergovernmental	\$	-	-	\$	7,950
Use of money and property		-	-		413
 Total revenues		-	-	8,363	8,363
EXPENDITURES:					
Current:					
Community development		-	-		-
 Total expenditures		-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES					
		-	-	8,363	8,363
OTHER FINANCING SOURCES (USES):					
Transfers out		-	-		-
 Total other financing sources (uses)		-	-	-	-
 Net change in fund balances		-	-	8,363	8,363
FUND BALANCES:					
Beginning of year		-	-		-
End of year	\$	-	\$	8,363	8,363

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 115,610	\$ 15,610	
Use of money and property	100	100	279	179	
Total revenues	100,100	100,100	115,889		15,789
EXPENDITURES:					
Current:					
Public safety	100,000	100,000	75,044	24,956	
Total expenditures	100,000	100,000	75,044		24,956
REVENUES OVER (UNDER)					
EXPENDITURES	100	100	40,845		40,745
Net change in fund balances	100	100	40,845		40,745
FUND BALANCES:					
Beginning of year	20,520	20,520	20,520		-
End of year	\$ 20,620	\$ 20,620	\$ 61,365	\$ 40,745	

City of Arcata, California

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

HOME Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Intergovernmental	\$ 475,000	\$ 475,000	\$ -	\$ (475,000)	
Total revenues	475,000	475,000	-	(475,000)	
EXPENDITURES:					
Current:					
Community development	475,000	475,000	-	475,000	
Total expenditures	475,000	475,000	-	475,000	
REVENUES OVER (UNDER)					
EXPENDITURES	-	-	-	-	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	10,695	10,695	
Total other financing sources (uses)	-	-	10,695	10,695	
Net change in fund balances	-	-	10,695	10,695	
FUND BALANCES:					
Beginning of year	(22,092)	(22,092)	(22,092)	-	
End of year	\$ (22,092)	\$ (22,092)	\$ (11,397)	\$ 10,695	

This page intentionally left blank.



City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2016

	Parkland In Lieu	Parking In Lieu	Totals
ASSETS			
Cash and investments	\$ 138,933	\$ 271,109	\$ 410,042
Total assets	\$ 138,933	\$ 271,109	\$ 410,042
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Assigned	138,933	271,109	410,042
Total fund balances	138,933	271,109	410,042
Total liabilities and fund balances	\$ 138,933	\$ 271,109	\$ 410,042

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, 2016**

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Licenses and permits	\$ 3,888	\$ -	\$ 3,888
Use of money and property	2,032	3,048	5,080
Total revenues	5,920	3,048	8,968
EXPENDITURES:			
Capital outlay	-	-	-
Total expenditures	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	5,920	3,048	8,968
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(94,922)	-	(94,922)
Total other financing sources and uses	(94,922)	-	(94,922)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(89,002)	3,048	(85,954)
FUND BALANCES (DEFICIT):			
Beginning of year	227,935	268,061	495,996
End of year	\$ 138,933	\$ 271,109	\$ 410,042

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Licenses and permits	\$ 7,500	\$ 7,500	\$ 3,888	\$ (3,612)	
Use of money and property	1,500	1,500	2,032	532	
Total revenues	9,000	9,000	5,920		(3,080)
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Total expenditures	-	-	-		-
REVENUES OVER (UNDER) EXPENDITURES					
	9,000	9,000	5,920		(3,080)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(94,922)	(94,922)	
Total other financing sources (uses)	-	-	(94,922)		(94,922)
Net change in fund balances	9,000	9,000	(89,002)		(98,002)
FUND BALANCES:					
Beginning of year	227,935	227,935	227,935		-
End of year	\$ 236,935	\$ 236,935	\$ 138,933		\$ (98,002)

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Use of money and property	\$ 1,500	\$ 1,500	\$ 3,048	\$ 1,548	
Total revenues	1,500	1,500	3,048		1,548
EXPENDITURES:					
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-		-
REVENUES OVER (UNDER) EXPENDITURES					
	1,500	1,500	3,048		1,548
Net change in fund balances	1,500	1,500	3,048		1,548
FUND BALANCES:					
Beginning of year	268,061	268,061	268,061		-
End of year	\$ 269,561	\$ 269,561	\$ 271,109		\$ 1,548

City of Arcata, California

Combining Balance Sheet

Assessment District Special Revenue Funds

June 30, 2016

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
ASSETS				
Cash and investments	\$ 1,176	\$ 10,037	\$ 5,542	\$ 16,755
Receivables:				
Intergovernmental	-	808	476	1,284
Total assets	\$ 1,176	\$ 10,845	\$ 6,018	\$ 18,039
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund Balances:				
Assigned	1,176	10,845	6,018	18,039
Total fund balances	1,176	10,845	6,018	18,039
Total liabilities and fund balances	\$ 1,176	\$ 10,845	\$ 6,018	\$ 18,039

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, 2016

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
REVENUES:				
Taxes and assessments	\$ -	\$ 15,946	\$ 14,850	\$ 30,796
Use of money and property	13	122	74	209
Total revenues	13	16,068	14,924	31,005
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES				
	13	16,068	14,924	31,005
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(15,000)	(15,000)	(30,000)
Total other financing sources and uses	-	(15,000)	(15,000)	(30,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)				
	13	1,068	(76)	1,005
FUND BALANCES (DEFICIT) :				
Beginning of year	1,163	9,777	6,094	17,034
End of year	\$ 1,176	\$ 10,845	\$ 6,018	\$ 18,039

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, 2016

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 5	\$ 5	\$ 13	\$ 8
Total revenues	5	5	13	8
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES				
	5	5	13	8
Net change in fund balances	5	5	13	8
FUND BALANCES:				
Beginning of year	1,163	1,163	1,163	-
End of year	\$ 1,168	\$ 1,168	\$ 1,176	\$ 8

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 15,946	\$ (54)	
Use of money and property	100	100	122	22	
Total revenues	16,100	16,100	16,068		(32)
EXPENDITURES:					
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-		-
REVENUES OVER (UNDER) EXPENDITURES					
	16,100	16,100	16,068		(32)
OTHER FINANCING SOURCES (USES):					
Transfers out	(15,000)	(15,000)	(15,000)		-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)		-
Net change in fund balances	1,100	1,100	1,068		(32)
FUND BALANCES (DEFICIT):					
Beginning of year	9,777	9,777	9,777		-
End of year	\$ 10,877	\$ 10,877	\$ 10,845		(\$ 32)

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, 2016

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 14,850	\$ (1,150)	
Use of money and property	100	100	74	(26)	
Total revenues	16,100	16,100	14,924	(1,176)	
EXPENDITURES:					
Current:					
Parks and recreation	-	-	-	-	
Total expenditures	-	-	-	-	
REVENUES OVER (UNDER) EXPENDITURES	16,100	16,100	14,924	(1,176)	
OTHER FINANCING SOURCES (USES):					
Transfers out	(15,000)	(15,000)	(15,000)		-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)	-	
Net change in fund balances	1,100	1,100	(76)	(1,176)	
FUND BALANCES:					
Beginning of year	6,094	6,094	6,094		-
End of year	\$ 7,194	\$ 7,194	\$ 6,018	\$ (1,176)	

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, 2016

	Central Garage Fund	Technology Fund	Information Technology Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 1,232,864	\$ 52,638	\$ 1,285,502	
Inventory	13,580	-		13,580
Total current assets	1,246,444	52,638		1,299,082
Noncurrent assets:				
Capital assets, net	930,696	56,126		986,822
Total noncurrent assets	930,696	56,126		986,822
Total assets	2,177,140	108,764		2,285,904
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan	75,517	67,390		142,907
Total assets and deferred outflows of resources	2,252,657	176,154		2,428,811
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 106,630	\$ 2,947	\$ 109,577	
Accrued liabilities	10,272	6,811		17,083
Compensated absences - current portion	2,527	671		3,198
Total current liabilities	119,429	10,429		129,858
Noncurrent liabilities:				
Compensated absences	7,583	2,014		9,597
Due after one year - capital lease payable	-	43,933		43,933
Net pension liability	259,292	199,876		459,168
Total liabilities	386,304	256,252		642,556
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	82,141	67,595		149,736
Total deferred inflows of resources	82,141	67,595		149,736
NET POSITION				
Net investment in capital assets	930,696	56,126		986,822
Unrestricted	853,516	(203,819)		649,697
Total net position	1,784,212	(147,693)		1,636,519
Total liabilities, deferred inflows of resources and net position	\$ 2,252,657	\$ 176,154		\$ 2,428,811

City of Arcata, California

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

Internal Service Funds

For the year ended June 30, 2016

	Central Garage Fund	Technology Fund	Information Fund	Totals
OPERATING REVENUES:				
Interdepartmental charges	\$ 1,144,392	\$ 241,225	\$ 1,385,617	
Other	1,197	29,132		30,329
Total operating revenues	1,145,589	270,357		1,415,946
OPERATING EXPENSES:				
Salaries and benefits	236,614	166,842		403,456
Contractual services	38,467	22,564		61,031
Materials and supplies	199,075	31,817		230,892
Repairs and maintenance	29,354	10,454		39,808
Insurance	123,959	-		123,959
Allocated overhead	33,967	8,700		42,667
Depreciation	256,942	7,016		263,958
Total operating expenses	918,378	247,393		1,165,771
OPERATING INCOME (LOSS)				
	227,211	22,964		250,175
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	11,844			11,844
Interest expense	-	265		265
Total non-operating revenues (expenses)	11,844	265		12,109
NET INCOME (LOSS) BEFORE TRANSFERS				
Transfers in	239,055	23,229		262,284
Transfers out	50,323	2,907		53,230
Total transfers	50,323	2,907		53,230
Change in net position	289,378	26,136		315,514
NET POSITION (DEFICIT):				
Beginning of year	1,494,834	(173,829)		1,321,005
End of year	\$ 1,784,212	\$ (147,693)		\$ 1,636,519

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 1,145,589	\$ 270,357	\$ 1,415,946
Cash paid to suppliers for goods and services	(337,637)	(73,099)	(410,736)
Cash paid to employees for services	(222,560)	(158,806)	(381,366)
Net cash provided (used) by operating activities	585,392	38,452	623,844
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	50,323	2,907	53,230
Net cash provided (used) by noncapital financing activities	50,323	2,907	53,230
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(299,188)	-	(299,188)
Principal paid on long-term debt	-	(26,225)	(26,225)
Interest paid on long-term debt	-	265	265
Net cash (used) by capital and related financing activities	(299,188)	(25,960)	(325,148)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	11,844	-	11,844
Net cash provided by investing activities	11,844	-	11,844
Net increase (decrease) in cash and cash equivalents	348,371	15,399	363,770
CASH AND CASH EQUIVALENTS:			
Beginning of year	884,493	37,239	921,732
End of year	\$ 1,232,864	\$ 52,638	\$ 1,285,502
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 227,211	\$ 22,964	\$ 250,175
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	256,942	7,016	263,958
Pension expense	8,497	8,225	16,722
(Increase) decrease in current assets:			
Inventory	7,382	-	7,382
Increase (decrease) in liabilities:			
Accounts payable	79,803	436	80,239
Accrued liabilities	3,988	84	4,072
Compensated absences	1,569	(273)	1,296
Net cash provided by operating activities	\$ 585,392	\$ 38,452	\$ 623,844

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