

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



Prepared by:

Janet Luzzi
Finance Director

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

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736 F Street
Arcata, CA 95521

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

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's 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,



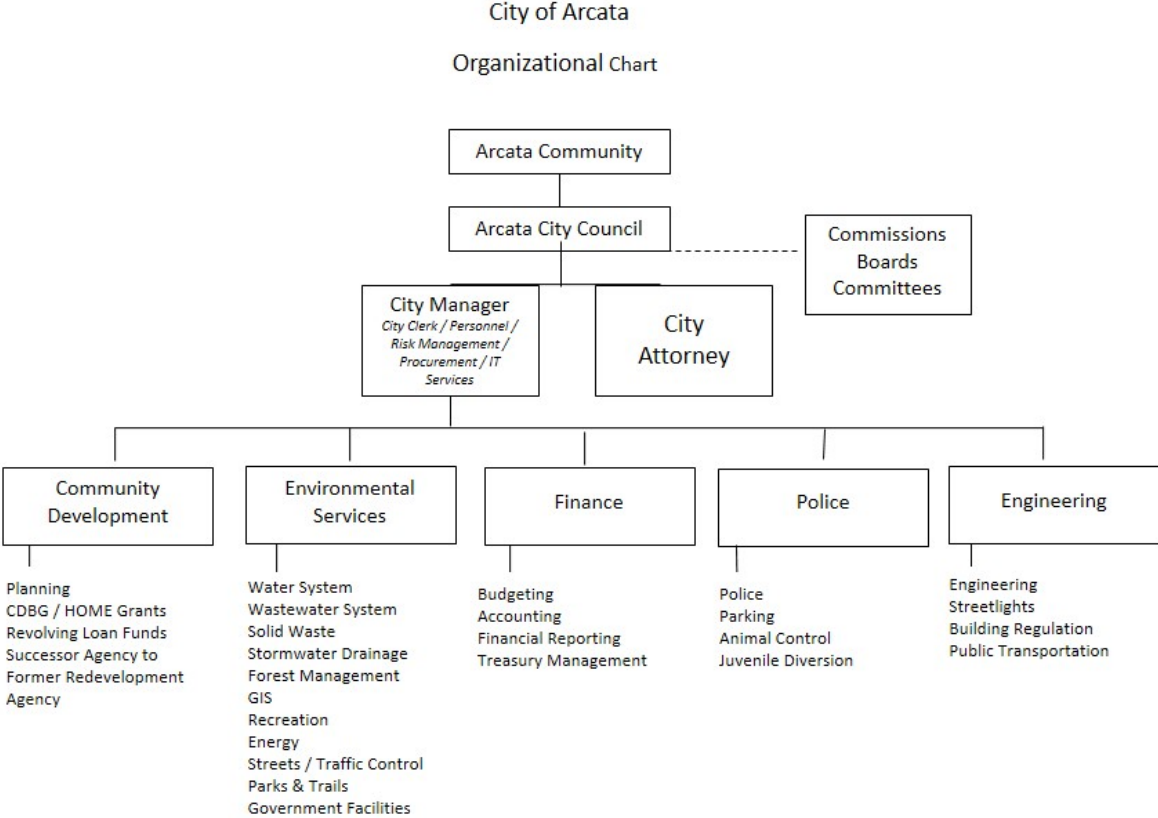
Janet M. Luzzi
Finance Director

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

Organization Chart



City of Arcata, 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 Wheatley, 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

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Arcata, California (City), as of and for the year ended June 30, 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.

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 | <u>77,307,864</u> | <u>31,077,627</u> | <u>108,385,491</u> | <u>67,816,140</u> | <u>28,479,786</u> | <u>94,596,108</u> |
| 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 | <u>26,577,912</u> | <u>9,904,391</u> | <u>36,482,303</u> | <u>23,754,325</u> | <u>8,811,502</u> | <u>29,019,406</u> |
| 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 | <u>\$ 50,729,952</u> | <u>\$ 21,173,236</u> | <u>\$ 71,903,188</u> | <u>\$ 44,061,815</u> | <u>\$ 19,668,284</u> | <u>\$ 63,730,099</u> |

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 | | |
|--|-------------------------|--------------------------|---------------|-------------------------|--------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total | Governmental 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

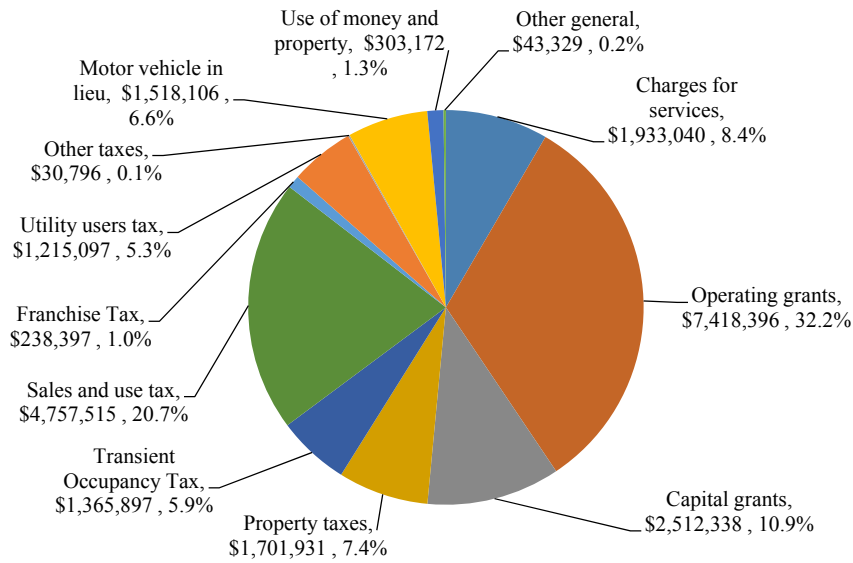
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

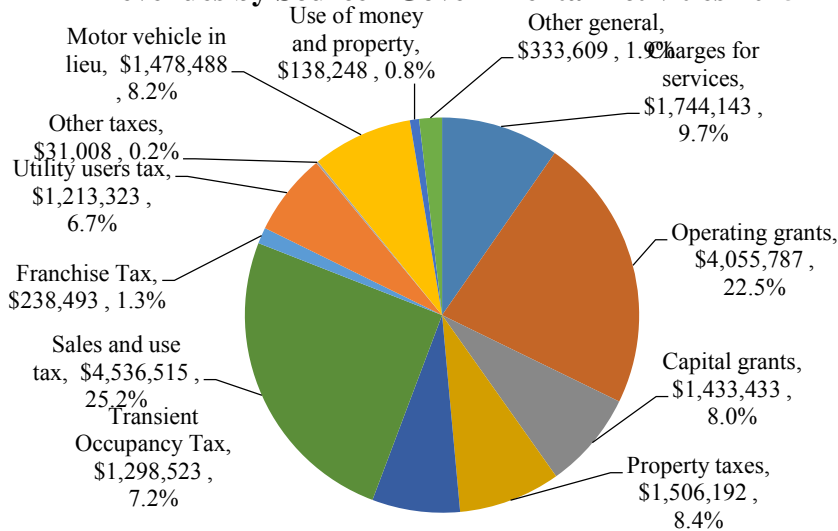
Governmental Activities, continued

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

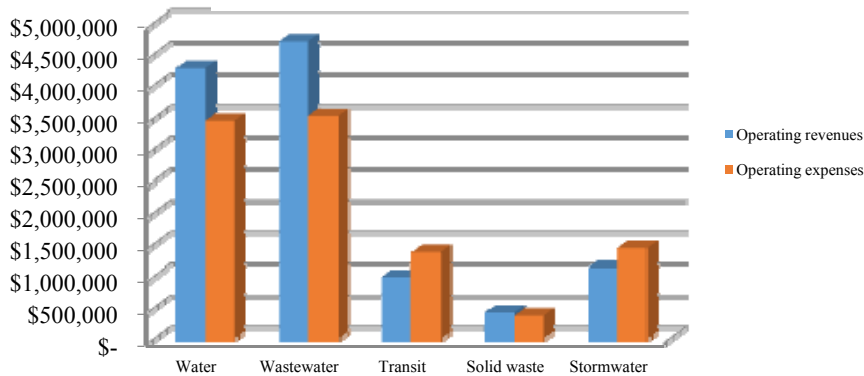
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

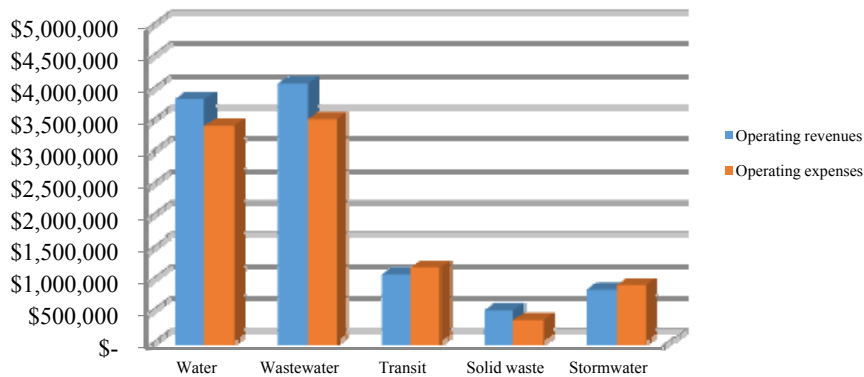
Business-type Activities

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**



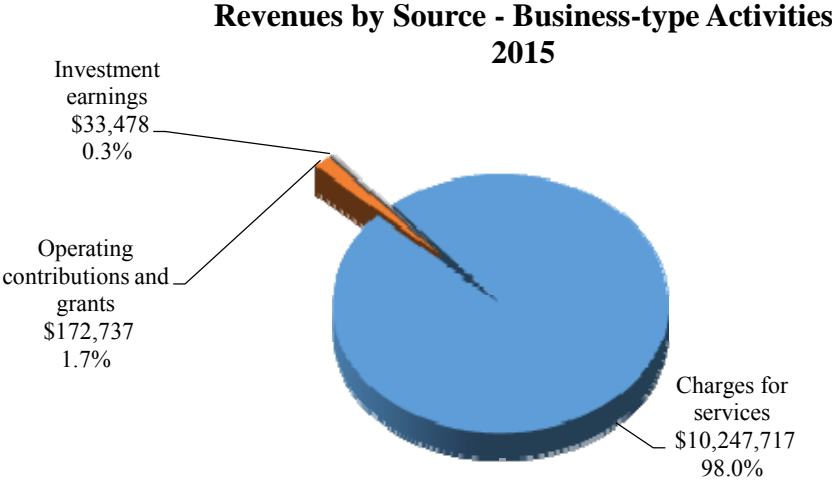
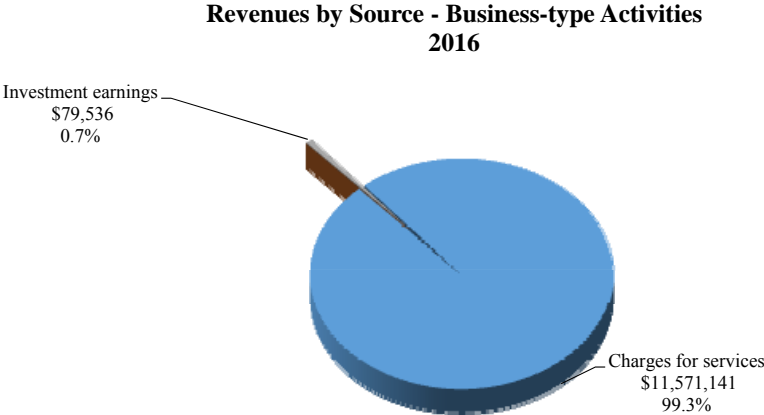
City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2016

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:



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

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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 deferred inflows of resources | 4,404,399 | 1,406,015 | 5,810,414 | 2,696,213 |
| NET POSITION | | | | |
| Net investment in capital assets: | | | | |
| Restricted | 27,841,973 | 17,871,543 | 45,713,516 | 30,783,043 |
| Unrestricted | 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, deferred 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 (MVLTF)
- 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) |
| <u>(11,253,722)</u> | <u>-</u> | <u>(11,253,722)</u> |
| - | 820,627 | 820,627 |
| - | 1,170,665 | 1,170,665 |
| - | (378,475) | (378,475) |
| - | 52,701 | 52,701 |
| - | (304,520) | (304,520) |
| <u>-</u> | <u>1,360,998</u> | <u>1,360,998</u> |
| <u>(11,253,722)</u> | <u>1,360,998</u> | <u>(9,892,724)</u> |
| 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 |
| <u>11,174,240</u> | <u>79,536</u> | <u>11,253,776</u> |
| 6,812,037 | - | 6,812,037 |
| (64,418) | 64,418 | - |
| <u>17,921,859</u> | <u>143,954</u> | <u>18,065,813</u> |
| 6,668,137 | 1,504,952 | 8,173,089 |
| 44,061,815 | 19,668,284 | 63,730,099 |
| <u>\$ 50,729,952</u> | <u>\$ 21,173,236</u> | <u>\$ 71,903,188</u> |

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

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

City of Arcata, California

Balance Sheet

Governmental Funds

June 30, 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 Business Loan Revolving | STIP | Housing Successor | Nonmajor Governmental Funds | Totals |
| \$ 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 |
| <u>\$ 3,684,933</u> | <u>\$ 264,499</u> | <u>\$ 2,955,093</u> | <u>\$ 5,369,414</u> | <u>\$ 40,037,356</u> |
| | | | | |
| \$ 105 | \$ - | \$ 995 | \$ 219,240 | \$ 1,113,311 |
| - | 271,856 | - | 34,435 | 314,854 |
| - | - | - | 21,865 | 21,865 |
| - | - | - | - | 1,225,842 |
| - | - | 179,512 | - | 179,512 |
| <u>105</u> | <u>271,856</u> | <u>180,507</u> | <u>275,540</u> | <u>2,855,384</u> |
| | | | | |
| 2,853,685 | - | 2,359,066 | - | 24,201,666 |
| <u>2,853,685</u> | <u>-</u> | <u>2,359,066</u> | <u>-</u> | <u>24,201,666</u> |
| 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 |
| <u>831,143</u> | <u>(7,357)</u> | <u>415,520</u> | <u>5,093,874</u> | <u>12,980,306</u> |
| <u>\$ 3,684,933</u> | <u>\$ 264,499</u> | <u>\$ 2,955,093</u> | <u>\$ 5,369,414</u> | <u>\$ 40,037,356</u> |

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 \$ 50,729,952

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 | Fund Based Totals | Compensated | | | Capital | | | Government- wide Totals | |
|--------------------------------------|----------------------|------------------------------|---------------------|---------------------|-----------------------------|--------------------|-------------------|-------------------------------|----------------------|
| | | Absences/ Debt Service | Internal Service | Depreciation | (Additions)/ Retirements | OPEB Obligation | 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 | - | - | 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) | 755,414 | (638,739) | 1,459,374 | 2,098,113 |
| EXPENDITURES | | | | |
| 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 | | | |
|--|--------------------|--------------------|--------------------------------|---|-------------------|-------------------|--------------------------------|
| <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance w/Final</u> | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance w/Final</u> |
| <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> | <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 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> |
| <u>(1,516,887)</u> | <u>(1,536,037)</u> | <u>(1,417,125)</u> | <u>118,912</u> | <u>(175,504)</u> | <u>(175,504)</u> | <u>206,970</u> | <u>382,474</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 44,416 | 44,416 |
| - | - | <u>(75,643)</u> | <u>(75,643)</u> | - | - | - | - |
| - | - | <u>(75,643)</u> | <u>(75,643)</u> | - | - | 44,416 | 44,416 |
| <u>(1,516,887)</u> | <u>(1,536,037)</u> | <u>(1,492,768)</u> | <u>43,269</u> | <u>(175,504)</u> | <u>(175,504)</u> | <u>251,386</u> | <u>426,890</u> |
| <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> |
| <u>\$ 103,750</u> | <u>\$ 84,600</u> | <u>\$ 127,869</u> | <u>\$ 43,269</u> | <u>\$ (2,284)</u> | <u>\$ (2,284)</u> | <u>\$ 424,606</u> | <u>\$ 426,890</u> |

(continued)

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2016

| | Basic Business Loan Revolving | | | Variance w/Final Positive (Negative) |
|---|--------------------------------------|---------------|----------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Use of money and property | 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 | | Actual | Variance w/Final | Budgeted Amounts | | Actual | Variance w/Final |
| Original | Final | | Positive (Negative) | Original | Final | | 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) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 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 |
| - | - | 825,812 | 825,812 | 1,020 | (1,290,261) | (1,307,426) | (17,165) |
| - | - | - | - | 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 |
| 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)

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ENTERPRISE FUNDS

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

City of Arcata, California
Statement of Net Position
Proprietary Funds
June 30, 2016

| | <u>Water Fund</u> | <u>Wastewater Fund</u> | <u>Transit Fund</u> |
|--|-----------------------|----------------------------|-------------------------|
| 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 deferred 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 | Totals | Governmental Activities |
|---------------------|-------------------------------|----------------------|----------------------------|
| | | | 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 |
| <u>1,992</u> | <u>7,618,393</u> | <u>20,660,136</u> | <u>986,822</u> |
| <u>552,287</u> | <u>7,992,719</u> | <u>29,701,873</u> | <u>2,285,904</u> |
| 73,019 | 134,895 | 1,375,754 | 142,907 |
| <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> |
| 72,100 | 142,068 | 1,406,015 | 149,736 |
| <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 | <u>\$ 3,540,923</u> | <u>\$ 7,946,149</u> | <u>\$ 2,036,736</u> |

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

| Solid Waste Fund | Stormwater Utility Fund | Totals | Governmental Activities Internal Service Funds |
|-----------------------------|--|----------------------|---|
| \$ 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> |
| <u>52,701</u> | <u>(304,520)</u> | <u>1,449,048</u> | <u>250,175</u> |
| - | - | 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) | - |
| <u>(50,000)</u> | <u>274,418</u> | <u>64,418</u> | <u>53,230</u> |
| 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 | <u>\$ 3,228,942</u> | <u>\$ 3,290,454</u> |
| 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 | |
| 506,154 | 466,546 | 54,397 | 6,029,418 | 921,732 | |
| <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> | |

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FIDUCIARY ACTIVITIES

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

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

| | <u>Successor Agency</u> 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 | 179,512 |
| 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 | 361,612 |
| Total current liabilities | <u>363,644</u> |
| Long-term liabilities: | |
| Compensated absences | 1,078 |
| Due after one year | 5,782,362 |
| Net pension liability | 200,211 |
| Total long-term liabilities | <u>5,983,651</u> |
| Total liabilities | <u>6,347,295</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension plan | 66,458 |
| Total deferred inflows of resources | <u>66,458</u> |
| NET POSITION (DEFICIT) | |
| Net position held in trust for | |
| Redevelopment Dissolution | (5,487,435) |
| 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 Development Agency |
| | <u>Agency</u> |
| ADDITIONS: | |
| Property taxes | \$ 535,188 |
| Investment income | 22,151 |
| Other additions | 200,533 |
| Transfer from City | - |
| Gain on refunding | - |
| Total operating revenues | <u>757,872</u> |
| DEDUCTIONS: | |
| Community development | 1,266,569 |
| Interest and trustee fees | 220,405 |
| Depreciation and amortization | - |
| Transfer to City | 6,812,037 |
| Total operating expenses | <u>8,299,011</u> |
| CHANGE IN FIDUCIARY NET ASSETS | <u>(7,541,139)</u> |
| NET ASSETS (DEFICIT): | |
| Beginning of year | 2,053,704 |
| Adjustments | - |
| Beginning of year, as adjusted | <u>2,053,704</u> |
| End of year | <u>\$ (5,487,435)</u> |

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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

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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 | | | |
|--|-----------------------|----------------|--|--------------|--------------|--------------|--------------|---------------|
| | <1 | 1 to 3 | 3 to 5 | | Market Value | | | |
| <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 | | | | | | | | |
| | <u>Par</u> | <u>Rate</u> | | | | | | |
| \$ | 4,991,000 | 0.375 - 2.05% | Federal Agency Securities | 694,502 | 2,231,512 | 2,003,774 | - | 4,929,788 |
| | 1,813,000 | 0.700 - 2.300% | Corporate notes | 374,507 | 1,329,505 | 425,630 | - | 2,129,642 |
| | 3,940,000 | 0.25 - 2.050% | US Treasury Notes | 315,449 | 2,210,996 | 1,755,339 | - | 4,281,784 |
| | | | Cash equivalent | 28,151 | - | - | - | 28,151 |
| | | | State of California Local Agency Investment Fund | 3,245,677 | - | - | - | 3,245,677 |
| | | | Total pooled investments - interest obligations | 4,658,286 | 5,772,013 | 4,184,743 | - | 14,615,042 |
| | | | Total cash equivalents and investments pooled | \$ 4,658,286 | \$ 5,772,013 | \$ 4,184,743 | \$ 7,808,250 | \$ 22,423,292 |
| Amounts reported in: | | | | | | | | |
| | | | 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> | <u>Fair Value</u> | <u>Maturity (Years)</u> |
|-------------------------------------|-------------------|-------------------------|
| 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 | \$ 14,615,042 | |
| 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>Ending</u> |
|--|----------------------|---------------------|---------------------|----------------------|
| | <u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</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 |
|--|--------------------------|---------------------|-----------------------|-------------|--------------------------|
| <u>Governmental activities:</u> | | | | | |
| 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 |
| | <u>\$ 1,936,458</u> |

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 |
|--|--------------------------|-------------------|------------------|-----------------|--------------------------|
| <u>Business-type activities</u> | | | | | |
| Nondepreciable assets: | | | | | |
| Land | \$ 7,390,409 | \$ 5,770 | \$ - | \$ - | \$ 7,396,179 |
| Total nondepreciable assets | <u>7,390,409</u> | <u>5,770</u> | <u>-</u> | <u>-</u> | <u>7,396,179</u> |
| 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 | <u>30,634,562</u> | <u>1,012,714</u> | <u>(178,928)</u> | <u>1,970</u> | <u>31,470,318</u> |
| Total | <u>38,024,971</u> | <u>1,018,484</u> | <u>(178,928)</u> | <u>1,970</u> | <u>38,866,497</u> |
| 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 | <u>(17,712,738)</u> | <u>(749,991)</u> | <u>178,878</u> | <u>(403)</u> | <u>(18,284,254)</u> |
| Net depreciable assets | <u>12,921,824</u> | <u>262,723</u> | <u>(50)</u> | <u>1,567</u> | <u>13,186,064</u> |
| Total net capital assets | <u>\$ 20,312,233</u> | <u>\$ 268,493</u> | <u>\$ (50)</u> | <u>\$ 1,567</u> | <u>\$ 20,582,243</u> |

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 |
| | <u>\$ 749,991</u> |

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 | <u>\$ 1,239,971</u> | <u>\$ 917,666</u> | <u>\$ 2,032</u> | <u>\$ 2,159,669</u> |

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 | <u>\$ 1,059,384</u> | <u>\$ 3,226,000</u> | <u>\$ (65,201)</u> | <u>\$ 4,220,183</u> | <u>\$ 562,955</u> |
| 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 | <u>\$ 2,681,653</u> | <u>\$ 3,649,176</u> | <u>\$ (164,632)</u> | <u>\$ 6,166,197</u> | <u>\$ 673,413</u> |
| 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 | <u>3,167,950</u> | <u>-</u> | <u>(239,200)</u> | <u>2,928,750</u> | <u>218,050</u> |
| Compensated absences | 149,737 | 44,079 | (37,434) | 156,382 | 39,096 |
| Total business-type activities | <u>\$ 3,317,687</u> | <u>\$ 44,079</u> | <u>\$ (276,634)</u> | <u>\$ 3,085,132</u> | <u>\$ 257,146</u> |
| Fiduciary Activities: | | | | | |
| 2015 Tax Allocation Refunding Bonds | \$ 6,655,926 | \$ - | \$ (511,952) | \$ 6,143,974 | \$ 361,612 |
| Total fiduciary activity debt | <u>\$ 6,655,926</u> | <u>\$ -</u> | <u>\$ (511,952)</u> | <u>\$ 6,143,974</u> | <u>\$ 361,612</u> |

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 Governmental Share | | 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 | \$ 43,933 | \$ 4,012 | \$ 950,250 | \$ 441,952 | \$ 3,226,000 | \$ 603,420 |
| Due within one year | \$ 14,005 | \$ 1,977 | \$ 33,950 | \$ 39,435 | \$ 515,000 | \$ 170,969 |
| Due after one year | 29,928 | 2,035 | 916,300 | 402,517 | 2,711,000 | 432,451 |
| Total | \$ 43,933 | \$ 4,012 | \$ 950,250 | \$ 441,952 | \$ 3,226,000 | \$ 603,420 |
| 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 | \$ 4,220,183 | \$ 1,049,384 | | | | |
| Due within one year | \$ 562,955 | \$ 212,381 | | | | |
| Due after one year | 3,657,228 | 837,003 | | | | |
| Total | \$ 4,220,183 | \$ 1,049,384 | | | | |

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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 | | Total | |
| | 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 | 10,357 | 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 | \$ 1,164,000 | \$ 99,090 | \$ 1,764,750 | \$ 820,769 | \$ 2,928,750 | \$ 919,859 |
| Due within one year | \$ 155,000 | \$ 25,750 | \$ 63,050 | \$ 73,237 | \$ 218,050 | \$ 98,987 |
| Due after one year | 1,009,000 | 73,340 | 1,701,700 | 747,532 | 2,710,700 | 820,872 |
| Total | \$ 1,164,000 | \$ 99,090 | \$ 1,764,750 | \$ 820,769 | \$ 2,928,750 | \$ 919,859 |

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 | \$ 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 |

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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 | <u>\$ 50,729,952</u> | <u>\$ 21,173,236</u> | <u>\$ 71,903,188</u> |

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

Fund Balance

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

| | |
|---------------------------|---------------------|
| Nonspendable: | |
| Inventory | \$ 123,332 |
| Total Nonspendable | <u>\$ 123,332</u> |
| 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 | <u>\$ 1,651,639</u> |

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

Nonspendable

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

Restricted

- **CDBG Housing and Housing Revolving** – represents amounts restricted for the City’s HOME revolving loan program and CDBG housing activities as these programs are supported by specific grants requiring the restriction.

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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>\$ 18,754</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</u> <u>Appropriations</u> | <u>Expenditures and</u> <u>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
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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:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|----------------------------------|---------------------------------|-------------------------------|
| <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 | <u>42,998</u> | <u>280,419</u> |
| 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 | <u>271,856</u> | <u>34,435</u> |
| Total Governmental Funds | <u>314,854</u> | <u>314,854</u> |
| Total Transfers | <u>\$ 314,854</u> | <u>\$ 314,854</u> |

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

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

9. INTERFUND TRANSACTIONS, *continued*

Transfers consisted of the following at June 30, 2016:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------------------|---------------------|----------------------|
| <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 | <u>\$ 1,180,288</u> | <u>\$ 1,180,288</u> |

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

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

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 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>\$ (2,686,717)</u> |
| | |
| Total revenue | \$ 8,748,360 |
| Total expense | (12,424,822) |
| Operating income (loss) | <u>\$ (3,676,462)</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
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10. RISK MANAGEMENT, *Continued*

The City of Arcata participates in the following REMIF programs:

General Liability Insurance

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

Worker's Compensation

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

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

Property Insurance

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

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

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

City of Arcata, California
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:

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

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

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

For the year ended June 30, 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
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

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

| | Miscellaneous | Miscellaneous Second Tier | PEPRA Miscellaneous | Safety | 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
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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.

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

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

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

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

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

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

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

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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 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
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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 | <u>-</u> |
| Increase in net OPEB obligation | 279,633 |
| | |
| Net OPEB obligation - beginning of year | <u>1,224,545</u> |
| 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:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|-----------------------------|---|--------------------------------|
| 6/30/2014 | \$ 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 | <u>-</u> |
| Unfunded actuarial accrued liability (UAAL) | \$ 3,156,235 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |
| Covered payroll (active plan participants) | \$ 8,235,524 |
| UAAL as a percentage of covered payroll | 38% |

City of Arcata, California
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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
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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 | Additions | Retirements | Balance | Due Within |
|-------------------------------------|---------------------|-------------|---------------------|---------------------|-------------------|
| | July 1, 2015 | | | June 30, 2015 | One Year |
| 2015 Tax Allocation Refunding Bonds | 6,665,926 | - | (511,952) | 6,153,974 | 361,612 |
| 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 |

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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.

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Basic Financial Statements
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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
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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*

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|
| 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> |
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|
| 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> |
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|-----------------|------------------|
| 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>\$ 34,812</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*

| | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|
| 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> |
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|---------------|-----------------|
| 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> |
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|---------------|-----------------|
| 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> |
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|---------------|--------------|
| 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*

| | <u>2015</u> | | <u>2014</u> |
|---|-------------|----|-------------|
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| 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*

| | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|
| 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*

| | <u>2015</u> | | <u>2014</u> |
|---|-------------|----|-------------|
| 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*

| | <u>2015</u> | | <u>2014</u> |
|---|-------------|----|-------------|
| 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

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NON-MAJOR GOVERNMENTAL FUNDS

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

City of Arcata, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 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 | | Non-Major Funds Totals |
|--|--------------------------|-------------------------------|---------------------------|
| | Special Revenue Funds | City Capital Projects Fund | |
| 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 |

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NON-MAJOR SPECIAL REVENUE FUNDS

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

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

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

(concluded)

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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 |
|----------------------------|-------------------|---------------------|-------------------|---------------------------|---------------------|
| \$ - | \$ 298,598 | \$ 124,052 | \$ 410,042 | \$ 16,755 | \$ 1,592,993 |
| 2,663,105 | - | - | - | - | 2,663,105 |
| - | 31,863 | 502,703 | - | 1,284 | 556,927 |
| - | - | - | - | - | 600 |
| - | 271,856 | - | - | - | 271,856 |
| - | 1,536 | - | - | - | 120,690 |
| <u>\$ 2,663,105</u> | <u>\$ 603,853</u> | <u>\$ 626,755</u> | <u>\$ 410,042</u> | <u>\$ 18,039</u> | <u>\$ 5,206,171</u> |

| | | | | | |
|--------------|---------------|----------------|----------|----------|----------------|
| \$ 312 | \$ 70,525 | \$ 123,049 | \$ - | \$ - | \$ 219,240 |
| 1,550 | - | 32,885 | - | - | 34,435 |
| - | - | - | - | - | 21,865 |
| <u>1,862</u> | <u>70,525</u> | <u>155,934</u> | <u>-</u> | <u>-</u> | <u>275,540</u> |

| | | | | | |
|--------------|---------------|----------------|----------|----------|----------------|
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,862</u> | <u>70,525</u> | <u>155,934</u> | <u>-</u> | <u>-</u> | <u>275,540</u> |

| | | | | | |
|---------------------|-------------------|-------------------|-------------------|------------------|---------------------|
| - | 1,536 | - | - | - | 120,690 |
| - | 531,792 | 482,218 | - | - | 1,099,164 |
| 2,661,243 | - | - | 410,042 | 18,039 | 3,722,174 |
| - | - | (11,397) | - | - | (11,397) |
| <u>2,661,243</u> | <u>533,328</u> | <u>470,821</u> | <u>410,042</u> | <u>18,039</u> | <u>4,930,631</u> |
| <u>\$ 2,663,105</u> | <u>\$ 603,853</u> | <u>\$ 626,755</u> | <u>\$ 410,042</u> | <u>\$ 18,039</u> | <u>\$ 5,206,171</u> |

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 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 | 1,254,007 | - | - |
| 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 | 886,069 | - | 7,062 |
| 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 | 272,088 | 173,738 | 216,755 |
| 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 |
|----------------------------------|-------------------|------------------------|----------------------|---------------------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 30,796 | \$ 30,796 |
| - | - | - | 3,888 | - | 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 |
| <u>42,779</u> | <u>390,042</u> | <u>3,019,852</u> | <u>8,968</u> | <u>31,005</u> | <u>5,066,833</u> |
| - | - | 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 |
| <u>1,320,297</u> | <u>1,115,438</u> | <u>2,474,931</u> | <u>-</u> | <u>-</u> | <u>6,431,004</u> |
| (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) |
| <u>3,938,761</u> | <u>653,269</u> | <u>(26,273)</u> | <u>(94,922)</u> | <u>(30,000)</u> | <u>4,561,563</u> |
| 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 |
| <u>\$ 2,661,243</u> | <u>\$ 533,328</u> | <u>\$ 470,821</u> | <u>\$ 410,042</u> | <u>\$ 18,039</u> | <u>\$ 4,930,631</u> |

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 | | Actual | Variance w/Final |
|---|------------------|----------------|------------------|------------------------|
| | Original | Final | | Positive (Negative) |
| 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 | | Actual | Variance w/Final Positive (Negative) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| 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 | <u>\$ 163,738</u> | <u>\$ 177,738</u> | <u>\$ 204,308</u> | <u>\$ 26,570</u> |

City of Arcata, California

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

Industrial Park Special Revenue Fund

For the year ended June 30, 2016

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

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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|-------|--------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Total expenditures | - | - | - | - |
| REVENUES OVER (UNDER) EXPENDITURES | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers 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 | | Actual | Variance w/Final |
|---|------------------|-------|--------------|------------------------|
| | Original | Final | | Positive (Negative) |
| 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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 603,853</u> | <u>\$ 603,853</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 70,525 | \$ 70,525 |
| Deposits payable | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>70,525</u> | <u>70,525</u> |
| Fund Balances: | | | | |
| Nonspendable | - | - | 1,536 | 1,536 |
| Restricted | - | - | 531,792 | 531,792 |
| Total fund balances | <u>-</u> | <u>-</u> | <u>533,328</u> | <u>533,328</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 603,853</u> | <u>\$ 603,853</u> |

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Gas Tax Special Revenue Funds
For the year ended June 30, 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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|-------|--------|--|
| | Original | Final | | |
| 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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|-------|--------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Total expenditures | - | - | - | - |
| REVENUES OVER (UNDER) EXPENDITURES | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| FUND BALANCES: | | | | |
| Beginning of year | - | - | - | - |
| End of year | \$ - | \$ - | \$ - | \$ - |

City of Arcata, California

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

Gas Tax 2107 & 2107.5 Special Revenue Fund

For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance w/Final |
|---|------------------|------------------|------------------|------------------------|
| | Original | Final | | 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 | <u>\$ 25,767</u> | <u>\$ 458,418</u> | <u>\$ 70,510</u> | <u>\$ 61,365</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,779 | \$ 59,123 | \$ 62,147 | \$ - |
| Due to other funds | 10,793 | - | - | - |
| Total liabilities | <u>12,572</u> | <u>59,123</u> | <u>62,147</u> | <u>-</u> |
| Fund Balances: | | | | |
| Restricted | 13,195 | 399,295 | 8,363 | 61,365 |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | <u>13,195</u> | <u>399,295</u> | <u>8,363</u> | <u>61,365</u> |
| Total liabilities and fund balances | <u>\$ 25,767</u> | <u>\$ 458,418</u> | <u>\$ 70,510</u> | <u>\$ 61,365</u> |

| HOME Grants | Totals |
|------------------|-------------------|
| \$ 10,695 | \$ 124,052 |
| <u>-</u> | <u>502,703</u> |
| <u>\$ 10,695</u> | <u>\$ 626,755</u> |

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

| | |
|------------------|-------------------|
| - | 482,218 |
| <u>(11,397)</u> | <u>(11,397)</u> |
| <u>(11,397)</u> | <u>470,821</u> |
| <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 | <u>2,241,260</u> | <u>654,340</u> | <u>8,363</u> | <u>115,889</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | - | - | - | 75,044 |
| Public works | - | 2,146 | - | - |
| Community development | 2,223,598 | - | - | - |
| Capital outlay | - | 174,143 | - | - |
| Total expenditures | <u>2,223,598</u> | <u>176,289</u> | <u>-</u> | <u>75,044</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>17,662</u> | <u>478,051</u> | <u>8,363</u> | <u>40,845</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 20,532 | - | - | - |
| Transfers out | - | (57,500) | - | - |
| Total other financing sources and uses | <u>20,532</u> | <u>(57,500)</u> | <u>-</u> | <u>-</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) | <u>38,194</u> | <u>420,551</u> | <u>8,363</u> | <u>40,845</u> |
| FUND BALANCES (DEFICIT): | | | | |
| Beginning of year | (24,999) | (21,256) | - | 20,520 |
| End of year | <u>\$ 13,195</u> | <u>\$ 399,295</u> | <u>\$ 8,363</u> | <u>\$ 61,365</u> |

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

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

City of Arcata, California

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

ISTEA Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance w/Final |
|---|------------------|------------------|-------------------|------------------------|
| | Original | Final | | 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 | <u>4,196,000</u> | <u>4,289,748</u> | <u>654,340</u> | <u>(3,635,408)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 7,500 | 7,500 | 2,146 | 5,354 |
| Capital outlay | <u>4,100,000</u> | <u>4,193,748</u> | <u>174,143</u> | <u>4,019,605</u> |
| Total expenditures | <u>4,107,500</u> | <u>4,201,248</u> | <u>176,289</u> | <u>4,024,959</u> |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | <u>88,500</u> | <u>88,500</u> | <u>478,051</u> | <u>389,551</u> |
| 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) | <u>(57,500)</u> | <u>(57,500)</u> | <u>(57,500)</u> | <u>-</u> |
| Net change in fund balances | <u>31,000</u> | <u>31,000</u> | <u>420,551</u> | <u>389,551</u> |
| FUND BALANCES: | | | | |
| Beginning of year | - | - | (21,256) | (21,256) |
| End of year | <u>\$ 31,000</u> | <u>\$ 31,000</u> | <u>\$ 399,295</u> | <u>\$ 368,295</u> |

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 | | Actual | Variance w/Final |
|---|------------------|-------|----------|------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ - | - | \$ 7,950 | \$ 7,950 |
| Use of money and property | - | - | 413 | 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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|----------------|----------------|--|
| | Original | Final | | |
| 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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|----------------|---------------|--|
| | Original | Final | | |
| 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 |

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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 | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|--------------|-----------------|--|
| | Original | Final | | |
| 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 | | Actual | Variance w/Final Positive (Negative) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 1,500 | \$ 1,500 | \$ 3,048 | \$ 1,548 |
| Total revenues | <u>1,500</u> | <u>1,500</u> | <u>3,048</u> | <u>1,548</u> |
| EXPENDITURES: | | | | |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,500</u> | <u>1,500</u> | <u>3,048</u> | <u>1,548</u> |
| 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 | <u>\$ 269,561</u> | <u>\$ 269,561</u> | <u>\$ 271,109</u> | <u>\$ 1,548</u> |

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 | <u>\$ 1,176</u> | <u>\$ 10,845</u> | <u>\$ 6,018</u> | <u>\$ 18,039</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | |
| Assigned | <u>1,176</u> | <u>10,845</u> | <u>6,018</u> | <u>18,039</u> |
| Total fund balances | <u>1,176</u> | <u>10,845</u> | <u>6,018</u> | <u>18,039</u> |
| Total liabilities and fund balances | <u>\$ 1,176</u> | <u>\$ 10,845</u> | <u>\$ 6,018</u> | <u>\$ 18,039</u> |

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Assessment District Special Revenue Funds

For the year ended June 30, 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 | <u>\$ 1,176</u> | <u>\$ 10,845</u> | <u>\$ 6,018</u> | <u>\$ 18,039</u> |

City of Arcata, California

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

Curtis Heights Assessment District Special Revenue Fund

For the year ended June 30, 2016

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

City of Arcata, California

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

Janes Creek Meadows Assessment District Special Revenue Fund

For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|------------------|------------------|--|
| | Original | Final | | |
| 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 | <u>\$ 10,877</u> | <u>\$ 10,877</u> | <u>\$ 10,845</u> | <u>\$ (32)</u> |

City of Arcata, California

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

Windsong Assessment District Special Revenue Fund

For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance w/Final Positive (Negative) |
|---|------------------|-----------------|-----------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes and assessments | \$ 16,000 | \$ 16,000 | \$ 14,850 | \$ (1,150) |
| Use of money and property | 100 | 100 | 74 | (26) |
| Total revenues | <u>16,100</u> | <u>16,100</u> | <u>14,924</u> | <u>(1,176)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>16,100</u> | <u>16,100</u> | <u>14,924</u> | <u>(1,176)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (15,000) | (15,000) | (15,000) | - |
| Total other financing sources (uses) | <u>(15,000)</u> | <u>(15,000)</u> | <u>(15,000)</u> | <u>-</u> |
| 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 | <u>\$ 7,194</u> | <u>\$ 7,194</u> | <u>\$ 6,018</u> | <u>\$ (1,176)</u> |

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 | 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 | Information Technology 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 | 239,055 | 23,229 | 262,284 |
| Transfers in | 50,323 | 2,907 | 53,230 |
| Transfers out | - | - | - |
| 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 | <u>\$ 1,784,212</u> | <u>\$ (147,693)</u> | <u>\$ 1,636,519</u> |

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

| | Central Garage | Information | |
|--|-----------------------|--------------------|---------------------|
| | Fund | Technology | Totals |
| | Fund | 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 | <u>\$ 1,232,864</u> | <u>\$ 52,638</u> | <u>\$ 1,285,502</u> |
| 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