

**CITY OF ARCATA, CALIFORNIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2018**



Prepared by:

**Ondrea Starzhevskiy**  
Finance Director

*This page intentionally left blank.*



**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**Table of Contents**

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Table of Contents, Continued**

	<u>Page</u>
<b>Basic Financial Statements, Continued:</b>	
<i>Fund Financial Statements, Continued:</i>	
<b>Proprietary Funds:</b>	
Statement of Net position – Proprietary Funds .....	38
Statement of Revenues, Expenses, and Changes in Fund Net position –	
Proprietary Funds .....	40
Statement of Cash Flows – Proprietary Funds .....	42
<b>Fiduciary Activities:</b>	
Statement of Fiduciary Net position – Fiduciary Activities .....	46
Statement of Changes in Fiduciary Net position – Private Purpose Trust Funds.....	47
<b>Notes to Basic Financial Statements .....</b>	<b>51</b>
<b>Other Supplemental Information:</b>	
<b>Required Supplementary Information:</b>	
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	97
Net OPEB Liability Schedule of Contributions.....	98
Schedule of Contributions – Miscellaneous Plan .....	99
Schedule of Contributions – Safety Plan .....	100
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Miscellaneous Plan .....	101
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Safety Plan .....	102
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet .....	106
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances .....	107
<b>Nonmajor Special Revenue Funds:</b>	
Combining Balance Sheet.....	112
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances.....	114
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Forest Management .....	116
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Traffic Safety .....	117

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**Table of Contents, Continued**

---

	<b>Page</b>
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
<b>Nonmajor Special Revenue Funds, Continued:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Industrial Park .....	118
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Public Improvement Program .....	119
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Gas Tax 2107 and 2107.5.....	120
Combining Balance Sheet – Federal Grant Special Revenue Funds.....	122
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Federal Grant Special Revenue Funds.....	124
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – HUD Block Grant.....	126
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – ISTEA Grant.....	127
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – FEMA/OES Grants.....	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – COPS Grant.....	129
Combining Balance Sheet – In Lieu Fee Special Revenue Funds.....	131
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances – In Lieu Fee Special Revenue Funds.....	132
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Parkland in Lieu .....	133
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Parking in Lieu .....	134
Combining Balance Sheet – Assessment District Special Revenue Funds .....	136
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Assessment District Special Revenue Funds .....	138
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Curtis Heights.....	140
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Janes Creek Meadow .....	141
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Windsong.....	142

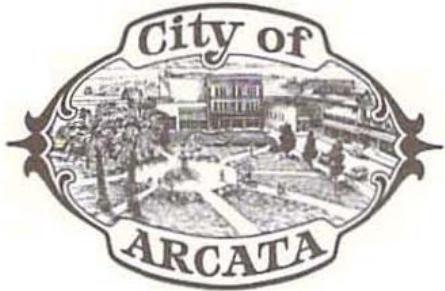
**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**Table of Contents, Continued**

---

---

	<u>Page</u>
<b>Combining and Individual Fund Financial Statements and Schedules, Continued:</b>	
<b>Internal Service Funds:</b>	
Combining Statement of Net position – Internal Service Funds .....	144
CombininArcg Statement of Revenues, Expenses, and Changes in Net position – Internal Service Funds .....	145
Combining Statement of Cash Flows – Internal Service Funds .....	146



736 F Street  
Arcata, CA 95521

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

**March 29, 2019**

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

We are pleased to submit the City of Arcata' Annual Financial Report for the fiscal year ended June 30, 2018. 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, 2018, 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, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The

standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

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

### *Profile of the City of Arcata*

The City of Arcata is located 275 miles north of San Francisco. It is situated in an 11 square mile area in the northern coast region of California at the western mid-point of Humboldt County. The City is framed by the Pacific Ocean on the west, forested hills on the east, the Mad River on the North, and Humboldt Bay to the south. The City of Arcata was incorporated as the Town of Union in 1858. It was renamed "Arcata" in 1860. Arcata reincorporated as a general law city on May 4, 1903, under the Municipal Corporation Act of the State of California. The original township (including surrounding area) had a population of 553 persons. As of 2017, the City has grown to an estimated population of approximately 18,000. 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 11,000. Unemployment in Arcata is approximately 4.0%. 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 2017/18, 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:

- The City worked hard to transition the Medical Marijuana Innovation Zone into the Cannabis Innovation Zone in the industrial part of the City for niche manufacturing businesses that will produce marijuana related products. The City also began preparation for retail sales and services regulations.

### ***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 2017/18, all these remained stable.

The City of Arcata anticipates a modest upsurge of revenue growth for the next several years, particularly related to the legalization of marijuana. 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

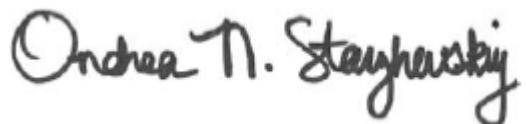
significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

### ***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, and Fortune Andzouana of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation.

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Ondrea N. Starzhevskiy". The signature is fluid and cursive, with "Ondrea" and "Starzhevskiy" being the most prominent parts.

Ondrea Starzhevskiy  
Finance Director

*This page intentionally left blank.*

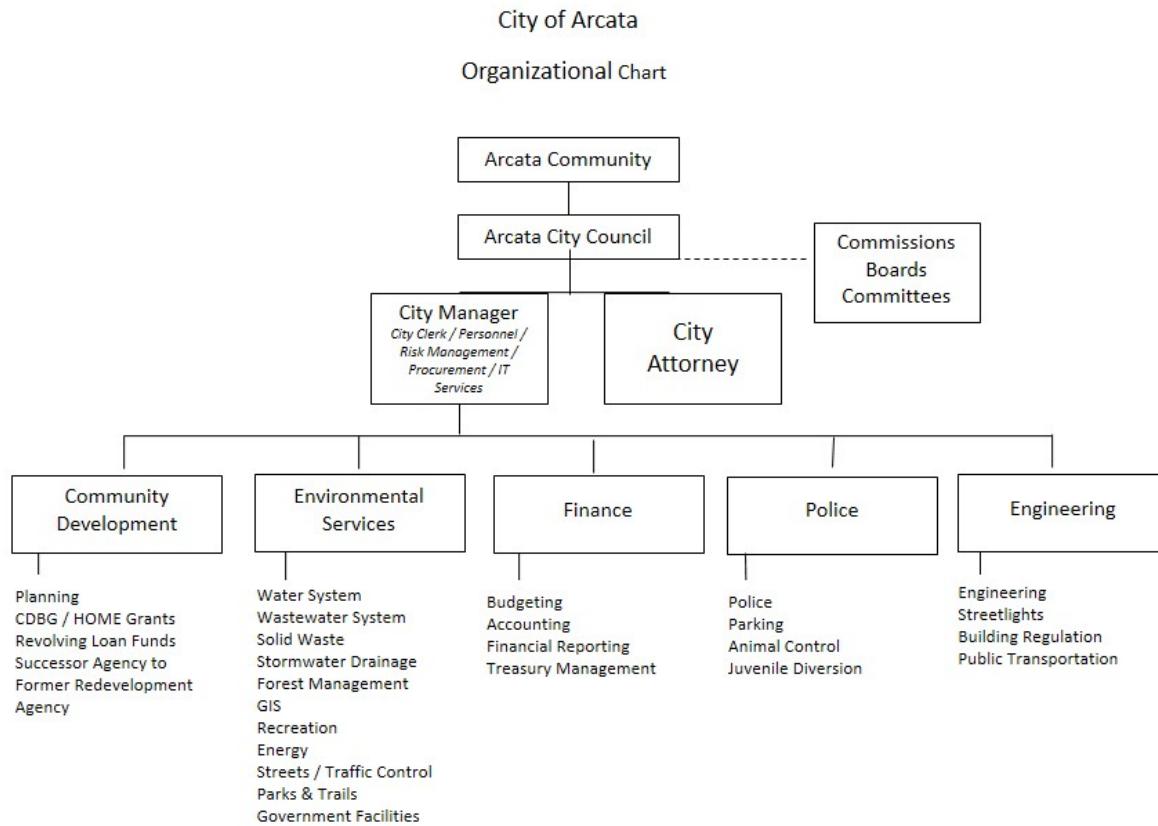


**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Organization Chart**

---

---



**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**List of Officials**

---

***CITY COUNCIL***

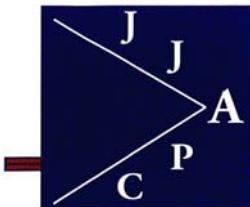
- Brett Watson, Mayor
- Michael Winkler, Vice Mayor
- Susan Ornelas, Council Member
- Sofia Pereira, Council Member
- Paul Pitino, Council Member

***CITY OFFICIALS***

- Karen Diemer, City Manager
- Ondrea Starzhevskiy, Finance Director
- David Loya , Community Development Director
- Brian Ahearn, Chief of Police
- Mark Andre, Environmental Services Director
- Doby Class, City Engineer
- Nancy Diamond, City Attorney

*This page intentionally left blank.*





**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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–16, the Schedule of Changes in the Net OPEB Liability and Related Ratios on page 97, the Net OPEB Liability Schedule of Contributions on page 98, the Schedules of Contribution on pages 99-100, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 101-102, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

#### ***Implementation of New Accounting Standards***

As disclosed in the Note 1 to the financial statements, the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," during the fiscal year 2018. Our opinion is not modified with respect to this matter.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

March 29, 2019

*JJACPA, Inc.*  
JJACPA, Inc.  
Dublin, CA

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

---

This section of the annual financial report provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2018. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

**FINANCIAL HIGHLIGHTS**

The following outlines the financial highlights for the year:

- ◆ At June 30, 2018, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$87.0 million, an increase of \$6.8 million from the prior year. Of the total net position, \$50.6 million was invested in capital assets (net of related debt) and \$2.4 had restrictions in their use leaving \$33.5 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$2.9 million compared to the 2017 fiscal year. Most of the increase resulted from increased revenues for operating and capital grants for economic development and street improvements. The City's total expense for all programs in fiscal year 2018 increased by \$3.6 million. This resulted primarily from capital project expenditures.
- ◆ The City's governmental funds increased by approximately \$3.8 million. This primarily results from the fact that several capital projects which were appropriated for in fiscal year 2018 remained unspent. Several of the City's revolving loans also exceeded budgetary estimates.
- ◆ The City's proprietary enterprise funds increased net position by \$3.0 million. This resulted from planned and implemented rate increases which were approved to fund major capital projects in the Water and Wastewater Funds.
- ◆ The general fund reported a fund balance of \$7.2 million at the end of the 2018 fiscal year, a decrease of about \$137,000. This decrease resulted due to the fact that several projects budgeted as capital improvements using general funds were completed in fiscal year 2018 that had previously remained uncompleted.
- ◆ The City also ended the fiscal year with \$10.6 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 \$2.9 million from 2017 and primarily results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**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, 2018**

**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, 2018, the City's major funds are as follows:

**GOVERNMENTAL FUNDS:**

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

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**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, 2018, 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 97-102.

**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 106–146 of this report.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**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 \$87,043,983 as of June 30, 2018. The Summary of Net position as of June 30, 2018, and 2017, follows:

	Summary of Net Position					
	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 44,104,027	\$ 16,494,741	\$ 60,598,768	\$ 44,162,387	\$ 12,571,621	\$ 56,734,008
Noncurrent assets	35,939,936	20,028,633	55,968,569	32,868,580	20,191,757	53,060,337
Deferred outflows of resources	4,986,327	1,581,825	6,568,152	3,848,611	1,255,432	5,104,043
Total assets and deferred outflows of resources	85,030,290	38,105,199	123,135,489	80,879,578	34,018,810	114,898,388
Current and other liabilities	3,294,937	1,843,490	5,138,427	5,159,988	1,036,350	6,196,338
Long-term liabilities	21,245,530	7,228,917	28,474,447	18,948,675	6,941,231	25,889,906
Deferred inflows of resources	2,199,269	773,455	2,972,724	2,260,552	791,034	3,051,586
Total liabilities and deferred inflows of resources	26,739,736	9,845,862	36,585,598	26,369,215	8,768,615	35,137,830
Net position:						
Net invested in						
Capital Assets	32,864,986	17,701,595	50,566,581	29,241,280	17,634,469	46,875,749
Restricted	2,426,824	-	2,426,824	1,541,432	-	1,541,432
Unrestricted	22,998,744	10,557,742	33,556,486	23,727,651	7,615,726	31,343,377
<b>Total net position</b>	<b>\$ 58,290,554</b>	<b>\$ 28,259,337</b>	<b>\$ 86,549,891</b>	<b>\$ 54,510,363</b>	<b>\$ 25,250,195</b>	<b>\$ 79,760,558</b>

The City's total net position increased by \$6.8 million (\$3.8 million and \$3.0 million for governmental activities and business-type activities, respectively). Total city-wide assets increased \$8.2 million, \$4.1 in governmental activities and \$4.1 million in business-type activities. The increase in governmental activities assets results from the fact that several street projects budgeted as capital improvements using general funds were not completed in fiscal year 2018. For the business-type activities, this increase in assets results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future. Total city-wide liabilities, increased by \$1.5 million. Of this amount, the liabilities in governmental activities increased slightly by \$370,000 and the liabilities in business-type activities increased by \$1.1 million.

The largest portion of the City's net assets, approximately 64.6 percent, is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

A portion of the City's net position (2.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$23.0 million is held by governmental activities and \$10.6 million is held by business-type activities.

**Revenues**

The City's total revenues for governmental and business-type activities were \$35.3 million for the fiscal year ended June 30, 2018, an increase of \$2.9 million. Significant revenues for the City for fiscal year 2017/18 were derived from taxes (27.6%), operating grants and contributions (15.4%), capital grants and contributions (7.3%), and charges for services (44.4%).

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

1. **General Revenues- Taxes.** Annual receipts for general revenue taxes increased \$341,942, or 3.64%. This is reflective of higher than anticipated tax revenues.
2. **Grants and Contributions – Operating.** Annual receipts increased by \$634,000, or 13.24%. The increase in operating grants and contributions results from the one-time receipt of grant funds for economic development business loans and state grants.
3. **Grants and Contributions – Capital.** Annual receipts increased \$1.2 million. This increase results primarily from grant funding for the Humboldt Bay Trail North capital project.

**Expenses**

Governmental and business-type activity expenses of the City for the year totaled \$28.1 million. This is an increase of \$3.6 million from the prior fiscal year. This increase results from one-time activities that occurred in fiscal 2017, including grant funding for the issuance of several economic development business loans and completion of street improvement projects

Governmental activity expenses totaled \$17.7 million, or 63.0% of total expenses. Public safety costs represented 37.2% of total governmental activities expenses, followed by general government (16.8%) and community development (11.88%). Business-type activities incurred \$10.4 million of expenses during the fiscal year.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The change in net position for the fiscal years ended June 30, 2018, and 2017 follows:

	Changes in Net Position					
	2018			2017		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,493,830	\$ 13,150,183	\$ 15,644,013	\$ 1,976,132	\$ 12,786,810	\$ 14,762,942
Grants and contributions:						
Operating	5,362,605	62,147	5,424,752	4,541,986	248,590	4,790,576
Capital	2,558,223	-	2,558,223	1,305,141	-	1,305,141
General revenues:						
Property taxes and assessments	1,578,673	-	1,578,673	1,461,626	-	1,461,626
Transient occupancy taxes	1,623,874	-	1,623,874	1,466,680	-	1,466,680
Sales and use tax	5,138,108	-	5,138,108	4,960,163	-	4,960,163
Franchise taxes	262,996	-	262,996	247,982	-	247,982
Utility users tax	1,085,627	-	1,085,627	1,215,068	-	1,215,068
Other taxes	35,263	-	35,263	31,080	-	31,080
Motor vehicle in lieu	1,643,759	-	1,643,759	1,552,135	-	1,552,135
Use of money and property	220,820	30,742	251,562	257,913	3,027	260,940
Other general	25,026	-	25,026	275,234	-	275,234
Total revenues	22,028,804	13,243,072	35,271,876	19,291,140	13,038,427	32,329,567
<b>Expenses:</b>						
Governmental activities:						
General government	2,976,868	-	2,976,868	2,887,328	-	2,887,328
Public safety	6,586,386	-	6,586,386	5,584,670	-	5,584,670
Public works	4,267,737	-	4,267,737	2,299,536	-	2,299,536
Community development	2,101,619	-	2,101,619	3,052,932	-	3,052,932
Parks and recreation	1,720,997	-	1,720,997	1,517,360	-	1,517,360
Interest and fiscal charges	37,293	-	37,293	38,731	-	38,731
Business-type activities:						
Water	-	3,554,716	3,554,716	-	3,464,029	3,464,029
Wastewater	-	4,510,576	4,510,576	-	3,382,650	3,382,650
Transit	-	1,204,535	1,204,535	-	1,255,152	1,255,152
Solid Waste	-	395,930	395,930	-	358,735	358,735
Stormwater	-	718,063	718,063	-	631,074	631,074
Total expenses	17,690,900	10,383,820	28,074,720	15,380,557	9,091,640	24,472,197
Excess (Deficiency) of revenues over expenditures before transfers	4,337,904	2,859,252	7,197,156	3,910,583	3,946,787	7,857,370
Transfer from fiduciary activities	696,173	-	696,173	-	-	-
Transfers	(149,890)	149,890	-	(130,172)	130,172	-
Change in net position	4,884,187	3,009,142	7,893,329	3,780,411	4,076,959	7,857,370
Net position:						
Beginning of year	54,510,363	25,250,195	79,760,558	50,729,952	21,173,236	71,903,188
Adjustments	(1,103,996)	-	(1,103,996)	-	-	-
Beginning, as adjusted	53,406,367	25,250,195	78,656,562	-	-	-
End of year	\$ 58,290,554	\$ 28,259,337	\$ 86,549,891	\$ 54,510,363	\$ 25,250,195	\$ 79,760,558

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**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, 2018, and 2017, are as follows:

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,976,868	\$ 1,004,809	\$ 2,887,328	\$ 1,182,116
Public safety	6,586,386	5,625,797	5,584,670	4,743,515
Public works	4,267,737	(637,720)	2,299,536	(682,258)
Community development	2,101,619	216,833	3,052,932	1,200,171
Parks and recreation	1,720,997	1,029,230	1,517,360	1,075,023
Interest and fiscal charges	37,293	37,293	38,731	38,731
Total	<u>\$ 17,690,900</u>	<u>\$ 7,276,242</u>	<u>\$ 15,380,557</u>	<u>\$ 7,557,298</u>

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

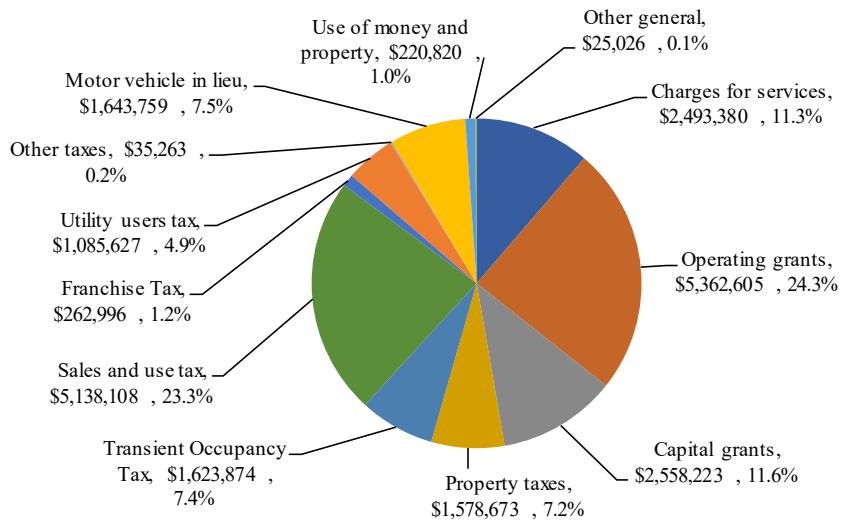
**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

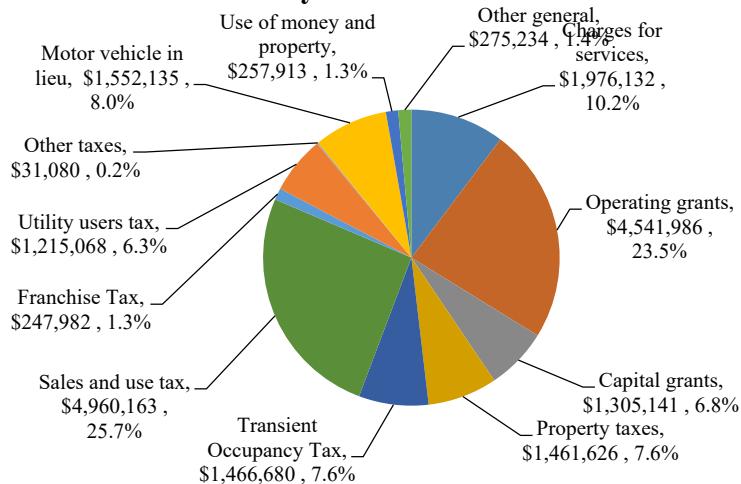
**Governmental Activities, continued**

Revenues by source for the fiscal years ended June 30, 2018, and 2017, are as follows:

**Revenues by Source - Governmental Activities 2018**



**Revenues by Source - Governmental Activities 2017**



**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

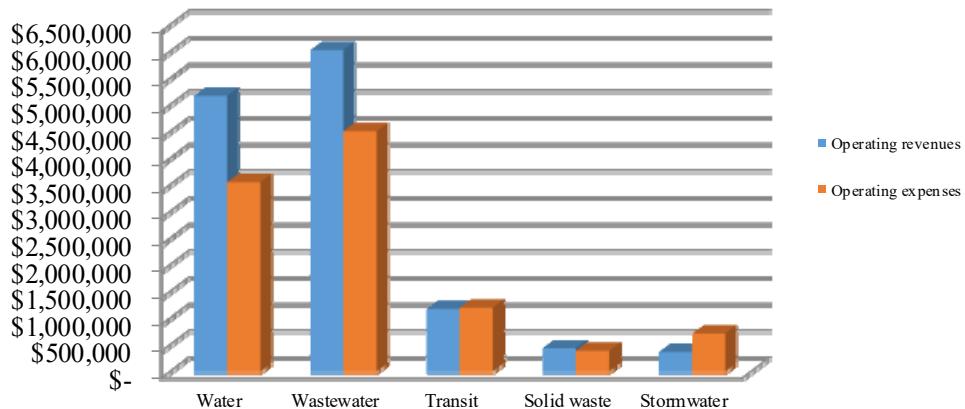
---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

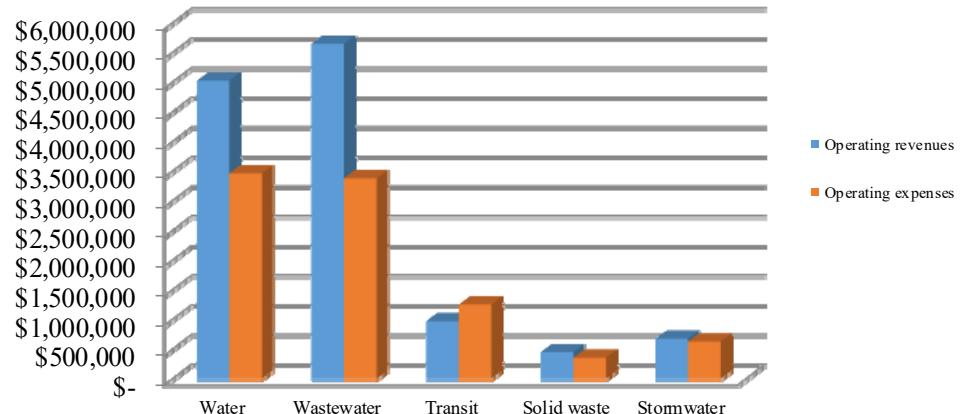
**Business-type Activities**

Business-type activities have increased the City's net position by \$3.0 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, 2018, and 2017, are as follows:

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



**Operating Revenues and Expenses**  
**Business-type Activities**  
**2017**



**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

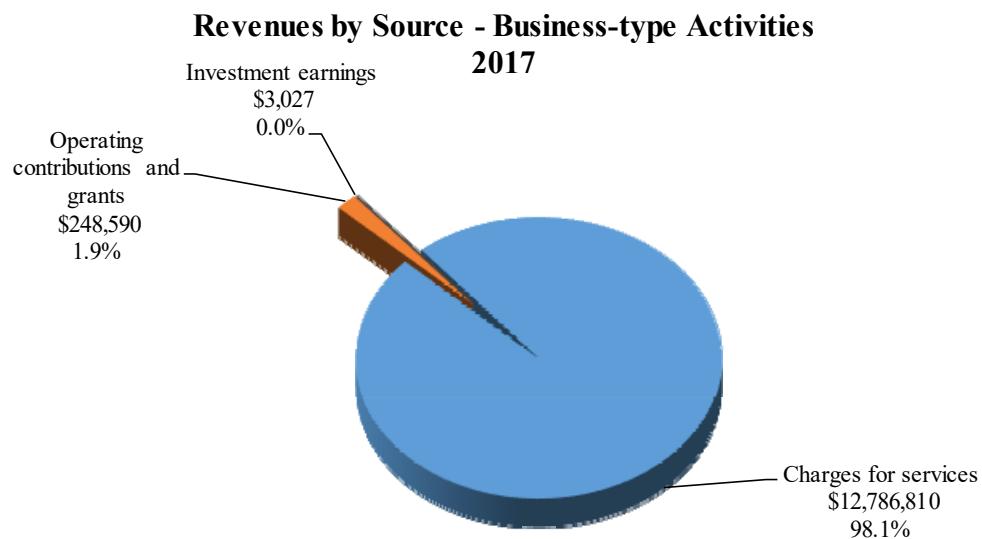
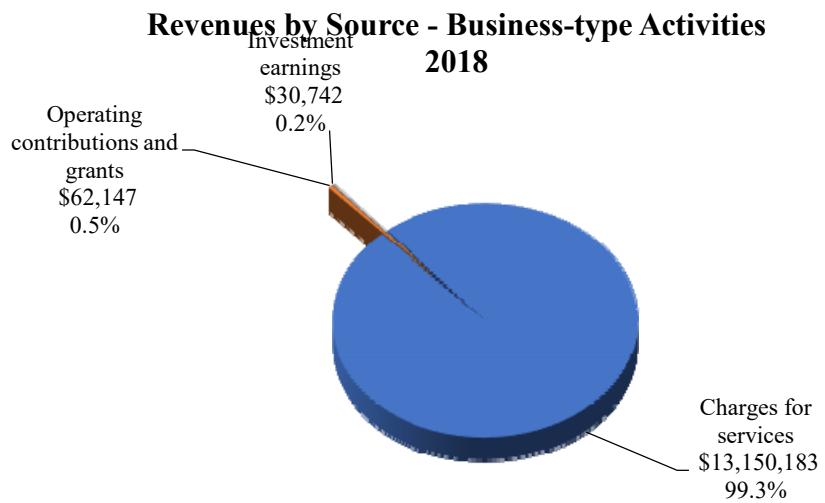
**Management's Discussion and Analysis, Continued**

---

**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, 2018, and 2017, are as follows:



**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**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, 2018, the City's governmental funds reported combined fund balances of \$16,043,319. This is an increase of \$1,733,092 or 12.1% from last year. This increase resulted due to the fact that several major projects which were budgeted for fiscal year 2018 were not completed.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2018, General Fund unassigned fund balance totaled \$7,226,115. This is a decrease of \$137,133 from the prior year. This decrease resulted because several projects budgeted as capital improvements using general funds were completed in fiscal year 2018, leading to increased capital expenditures. This was offset by higher than expected revenues over B completely offset by higher than expected revenues.

Proprietary funds. The City ended the fiscal year with \$10.6 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 \$3.0 million from 2017 and results primarily from the accumulation of cash and investments for major water and wastewater capital improvement projects that are anticipated in the near future.

**General Fund Budgetary Highlights**

The difference between the final budget and actual revenues differs favorably by \$313,448 or 2.0% of budget. This was mainly due to higher than anticipated intergovernmental grant revenue and charges for services. The difference between the final budget and actual expenditures differs favorably by \$2,078,793. This results primarily from capital outlay expenditure improvements which were budgeted but not completed during the year. These will be carried over to the subsequent fiscal year.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amount to \$55,897,331. 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,535,081	\$ 16,278,729	\$ 7,569,579	\$ 7,569,579	\$ 24,104,660	\$ 23,848,308
Undergrounding facilities	90,025	90,025	3,665,459	3,847,803	3,755,484	3,937,828
Buildings and structures	4,979,732	5,204,221	2,288,770	2,493,569	7,268,502	7,697,790
Furniture and equipment	787,533	746,125	149,521	154,753	937,054	900,878
Other Improvements	8,082,737	5,023,528	5,100,519	4,713,897	13,183,256	9,737,425
Infrastructure	4,640,858	4,789,902	-	-	4,640,858	4,789,902
Vehicles	823,970	736,050	1,183,547	1,340,918	2,007,517	2,076,968
Total	\$ 35,939,936	\$ 32,868,580	\$ 19,957,395	\$ 20,120,519	\$ 55,897,331	\$ 52,989,099

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, 2018, the City had total debt obligations of \$6,983,785. 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	
	2018	2017	2018	2017	2018	2017
Capital Lease Obligations	\$ 15,293	\$ 29,928	\$ -	\$ -	\$ 15,293	\$ 29,928
2015 Refunding of 2008 Lease	880,950	916,300	1,636,050	1,701,700	2,517,000	2,618,000
CalPERS UAL Debt	2,194,000	2,711,000	-	-	2,194,000	2,711,000
2015 Refunding of 2008 Loan	-	-	850,000	1,009,000	850,000	1,009,000
Compensated absences	431,950	460,305	162,521	155,552	594,471	615,857
Total	\$ 3,522,193	\$ 4,117,533	\$ 2,648,571	\$ 2,866,252	\$ 6,170,764	\$ 6,983,785

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**Management's Discussion and Analysis, Continued**

---

---

**Economic Outlook and Next Year's Budget and Rates**

The budget for Fiscal Year 2018/19, adopted on June 20, 2018, 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 streams and the City's efforts over the past several years to contain and control expenditures.

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

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

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

*This page intentionally left blank.*



# City of Arcata, California

## Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 14,760,688	\$ 14,554,348	\$ 29,315,036
Restricted cash and investments	2,649,138	-	2,649,138
Receivables:			
Accounts	2,748,221	1,839,899	4,588,120
Loans/Notes receivable	23,629,196	-	23,629,196
Due from Successor Agency	179,512	-	179,512
Inventory	137,272	96,466	233,738
Deposit	-	4,028	4,028
<b>Total current assets</b>	<b>44,104,027</b>	<b>16,494,741</b>	<b>60,598,768</b>
<b>Noncurrent assets:</b>			
Prepaid issuance costs	-	71,238	71,238
Capital assets:			
Nondepreciable	16,625,105	7,569,579	24,194,684
Depreciable	19,314,831	12,387,816	31,702,647
<b>Total noncurrent assets</b>	<b>35,939,936</b>	<b>20,028,633</b>	<b>55,968,569</b>
<b>Total assets</b>	<b>80,043,963</b>	<b>36,523,374</b>	<b>116,567,337</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan	4,986,327	1,581,825	6,568,152
<b>Total assets and deferred outflows of resources</b>	<b>\$ 85,030,290</b>	<b>\$ 38,105,199</b>	<b>\$ 123,135,489</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,016,432	\$ 1,213,573	\$ 2,230,005
Interest payable	-	1,993	1,993
Deposits payable	23,408	357,044	380,452
Compensated absences - current portion	107,987	40,630	148,617
Other liabilities	1,681,067	-	1,681,067
Due within one year	466,043	230,250	696,293
<b>Total current liabilities</b>	<b>3,294,937</b>	<b>1,843,490</b>	<b>5,138,427</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities:			
Compensated absences	323,963	121,891	445,854
Due after one year	2,624,200	2,255,800	4,880,000
Net OPEB obligation	2,772,195	-	2,772,195
Net pension liability	15,525,172	4,851,226	20,376,398
<b>Total noncurrent liabilities</b>	<b>21,245,530</b>	<b>7,228,917</b>	<b>28,474,447</b>
<b>Total liabilities</b>	<b>24,540,467</b>	<b>9,072,407</b>	<b>33,612,874</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	2,199,269	773,455	2,972,724
<b>Total defered inflows of resources</b>	<b>2,199,269</b>	<b>773,455</b>	<b>2,972,724</b>
<b>NET POSITION</b>			
Net investment in capital assets	32,864,986	17,701,595	50,566,581
Restricted	2,426,824	-	2,426,824
Unrestricted	22,998,744	10,557,742	33,556,486
<b>Total net position</b>	<b>58,290,554</b>	<b>28,259,337</b>	<b>86,549,891</b>
<b>Total liabilities, defered inflows of resources and net position</b>	<b>\$ 85,030,290</b>	<b>\$ 38,105,199</b>	<b>\$ 123,135,489</b>

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, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,976,868	\$ 46,239	\$ 1,925,095	\$ 725
Public safety	6,586,386	313,102	647,487	-
Public works	4,267,737	1,199,963	1,147,996	2,557,498
Community development	2,101,619	488,044	1,396,742	-
Parks and recreation	1,720,997	446,482	245,285	-
Interest and fiscal charges	37,293	-	-	-
Total governmental activities	17,690,900	2,493,830	5,362,605	2,558,223
Business-type activities:				
Water	3,554,716	5,175,737	-	-
Wastewater	4,510,576	6,033,540	-	-
Transit	1,204,535	1,120,535	62,147	-
Solid waste	395,930	447,092	-	-
Stormwater utility	718,063	373,279	-	-
Total business-type activities	10,383,820	13,150,183	62,147	-
<b>Total primary government</b>	<b>\$ 28,074,720</b>	<b>\$ 15,644,013</b>	<b>\$ 5,424,752</b>	<b>\$ 2,558,223</b>

General revenues:

Taxes:

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

Intergovernmental:

- State motor vehicle in-lieu tax (MVLF)

Use of money and property

Other general revenues

- Total general revenues

Transfer from Fiduciary Activities

Transfers

- Total general revenues and transfers

Change in net position

Net position:

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

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

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,004,809)	\$ -	\$ (1,004,809)
(5,625,797)	-	(5,625,797)
637,720	-	637,720
(216,833)	-	(216,833)
(1,029,230)	-	(1,029,230)
(37,293)	-	(37,293)
<hr/>	<hr/>	<hr/>
(7,276,242)	-	(7,276,242)
-	1,621,021	1,621,021
-	1,522,964	1,522,964
-	(21,853)	(21,853)
-	51,162	51,162
-	(344,784)	(344,784)
<hr/>	<hr/>	<hr/>
-	2,828,510	2,828,510
<hr/>	<hr/>	<hr/>
(7,276,242)	2,828,510	(4,447,732)
1,578,673	-	1,578,673
1,623,874	-	1,623,874
5,138,108	-	5,138,108
262,996	-	262,996
1,085,627	-	1,085,627
35,263	-	35,263
1,643,759	-	1,643,759
220,820	30,742	251,562
25,026	-	25,026
<hr/>	<hr/>	<hr/>
11,614,146	30,742	11,644,888
696,173	-	696,173
(149,890)	149,890	-
<hr/>	<hr/>	<hr/>
12,160,429	180,632	12,341,061
4,884,187	3,009,142	7,893,329
54,510,363	25,250,195	79,760,558
(1,103,996)	-	(1,103,996)
<hr/>	<hr/>	<hr/>
53,406,367	25,250,195	78,656,562
<hr/>	<hr/>	<hr/>
\$ 58,290,554	\$ 28,259,337	\$ 86,549,891

*This page intentionally left blank.*



**FUND FINANCIAL STATEMENTS**  
**MAJOR FUNDS**

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

# City of Arcata, California

## Balance Sheet

### Governmental Funds

June 30, 2018

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
<b>ASSETS</b>			
Cash and investments	\$ 7,420,642	\$ 334,129	\$ 979,524
Restricted cash and investments	-	-	-
Receivables:			
Taxes	594,691	-	-
Interest	30,081	-	-
Intergovernmental	1,850,998	-	-
Loans/Notes receivable	-	7,909,412	10,566,882
Other receivable	3,542	99,877	2,241
Due from other funds	-	22,865	-
Due from Successor Agency	-	-	-
Inventory	1,955	-	-
<b>Total assets</b>	<b>\$ 9,901,909</b>	<b>\$ 8,366,283</b>	<b>\$ 11,548,647</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 830,020	\$ 8,025	\$ -
Due to other funds	-	-	-
Deposits payable	-	-	-
Other liabilities	1,681,067	-	-
Payable to Successor Agency Private Purpose Trust	-	-	-
<b>Total liabilities</b>	<b>2,511,087</b>	<b>8,025</b>	<b>-</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	162,752	7,909,410	10,566,879
<b>Total deferred inflows of resources:</b>	<b>162,752</b>	<b>7,909,410</b>	<b>10,566,879</b>
<b>Total Liabilities and deferred inflows</b>	<b>2,673,839</b>	<b>7,917,435</b>	<b>10,566,879</b>
<b>Fund balances:</b>			
Nonspendable	1,955	-	-
Restricted	-	448,848	981,768
Assigned	-	-	-
Unassigned (Deficit)	7,226,115	-	-
<b>Total fund balances</b>	<b>7,228,070</b>	<b>448,848</b>	<b>981,768</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 9,901,909</b>	<b>\$ 8,366,283</b>	<b>\$ 11,548,647</b>

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

---

---

**Major Funds**

<b>Basic</b>			
<b>Business</b>	<b>Nonmajor</b>		
<b>Loan</b>	<b>Governmental</b>		
<b>Revolving</b>	<b>Funds</b>		<b>Totals</b>
\$ 1,109,393	\$ 3,338,312	\$ 13,182,000	
-	2,649,138	2,649,138	
-	-	594,691	
-	-	30,081	
-	164,077	2,015,075	
2,794,216	2,358,686	23,629,196	
2,714	-	108,374	
11,000	-	33,865	
-	179,512	179,512	
-	117,081	119,036	
<b>\$ 3,917,323</b>	<b>\$ 8,806,806</b>	<b>\$ 42,540,968</b>	
\$ 105	\$ 129,217	\$ 967,367	
-	33,865	33,865	
-	23,408	23,408	
-	-	1,681,067	
<b>-</b>	<b>-</b>	<b>-</b>	
<b>105</b>	<b>186,490</b>	<b>2,705,707</b>	
2,794,216	2,358,685	23,791,942	
2,794,216	2,358,685	23,791,942	
2,794,321	2,545,175	26,497,649	
-	117,081	119,036	
-	996,208	2,426,824	
1,123,002	5,171,274	6,294,276	
-	(22,932)	7,203,183	
<b>1,123,002</b>	<b>6,261,631</b>	<b>16,043,319</b>	
<b>\$ 3,917,323</b>	<b>\$ 8,806,806</b>	<b>\$ 42,540,968</b>	

# City of Arcata, California

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

June 30, 2018

---

---

**Total fund balances - total governmental funds** \$ 16,043,319

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. 34,989,157

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	\$ (412,519)
Due within one year	(450,750)
Due after one year	(2,624,200)
Net OPEB obligation	(2,772,195)
Net pension liability	<u>(14,991,466)</u> (21,251,130)

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. 23,791,942

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

Deferred outflows - Pension	4,986,327
Deferred inflows - Pension	<u>(2,199,269)</u> 2,787,058

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	1,596,924
Noncurrent assets	950,779
Accounts payable and accrued liabilities	(69,215)
Noncurrent liabilities	<u>(548,280)</u> 1,930,208
<b>Net Position of governmental activities</b>	<u><u>\$ 58,290,554</u></u>

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

# City of Arcata, California

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

### Governmental Activities

June 30, 2018

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Current assets:</b>					
Cash and investments	\$ 13,182,000	\$ -	\$ -	\$ 1,578,688	\$ 14,760,688
Restricted cash and investments	2,649,138	-	-	-	2,649,138
Receivables:					
Taxes	594,691	-	-	-	594,691
Interest	30,081	-	-	-	30,081
Intergovernmental	2,015,075	-	-	-	2,015,075
Loans/Notes receivable	23,629,196	-	-	-	23,629,196
Other receivable	108,374	-	-	-	108,374
Due from other funds	33,865	(33,865)	-	-	-
Due from Successor Agency	179,512	-	-	-	179,512
Inventory	119,036	-	-	18,236	137,272
<b>Total current assets</b>	<b>42,540,968</b>	<b>(33,865)</b>	<b>-</b>	<b>1,596,924</b>	<b>44,104,027</b>
<b>Noncurrent assets:</b>					
Capital assets, net	-	-	34,989,157	950,779	35,939,936
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>34,989,157</b>	<b>950,779</b>	<b>35,939,936</b>
<b>Total assets</b>	<b>42,540,968</b>	<b>(33,865)</b>	<b>34,989,157</b>	<b>2,547,703</b>	<b>80,043,963</b>
<b>Deferred outflows of resources:</b>					
Pension Plan	-	-	4,818,915	167,412	4,986,327
<b>Total assets and deferred outflows of resources</b>	<b>\$ 42,540,968</b>	<b>\$ (33,865)</b>	<b>\$ 39,808,072</b>	<b>\$ 2,715,115</b>	<b>\$ 85,030,290</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	\$ 967,367	\$ -	\$ -	\$ 49,065	\$ 1,016,432
Due to other funds	33,865	(33,865)	-	-	-
Deposits payable	23,408	-	-	-	23,408
Compensated absences - current portion	-	-	103,130	4,857	107,987
Other liabilities	1,681,067	-	-	-	1,681,067
Due within one year	-	-	450,750	15,293	466,043
<b>Total current liabilities</b>	<b>2,705,707</b>	<b>(33,865)</b>	<b>553,880</b>	<b>69,215</b>	<b>3,294,937</b>
<b>Noncurrent liabilities:</b>					
Long-term liabilities:					
Compensated absences	-	-	309,389	14,574	323,963
Due after one year	-	-	2,624,200	-	2,624,200
Net OPEB obligation	-	-	2,772,195	-	2,772,195
Net pension liability	-	-	14,991,466	533,706	15,525,172
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>20,697,250</b>	<b>548,280</b>	<b>21,245,530</b>
<b>Total liabilities</b>	<b>2,705,707</b>	<b>(33,865)</b>	<b>21,251,130</b>	<b>617,495</b>	<b>24,540,467</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	23,791,942	-	(23,791,942)	-	-
Pension plan	-	-	2,124,757	74,512	2,199,269
<b>Total liabilities and deferred inflows of resources:</b>	<b>26,497,649</b>	<b>(33,865)</b>	<b>(416,055)</b>	<b>692,007</b>	<b>26,739,736</b>
<b>FUND BALANCES/NET POSITION</b>					
<b>Fund balances:</b>					
Nonspendable	119,036	(119,036)	-	-	-
Restricted	2,426,824	(2,426,824)	-	-	-
Assigned	6,294,276	(6,294,276)	-	-	-
Unassigned (deficit)	7,203,183	(7,203,183)	-	-	-
<b>Net position:</b>					
Net investment in capital assets	-	-	31,914,207	950,779	32,864,986
Restricted	-	-	2,426,824	-	2,426,824
Unrestricted	-	16,043,319	5,883,096	1,072,329	22,998,744
<b>Total fund balances/net position</b>	<b>16,043,319</b>	<b>-</b>	<b>40,224,127</b>	<b>2,023,108</b>	<b>58,290,554</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 42,540,968</b>	<b>\$ (33,865)</b>	<b>\$ 39,808,072</b>	<b>\$ 2,715,115</b>	<b>\$ 85,030,290</b>

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, 2018

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
<b>REVENUES:</b>			
Taxes and assessments	\$ 9,689,278	\$ -	\$ -
Licenses and permits	528,601	-	-
Fines and forfeitures	268,533	-	-
Intergovernmental	2,397,430	-	-
Use of money and property	165,082	510,324	292,813
Charges for services	1,156,973	-	-
Reimbursements	1,788,989	-	-
Other revenues	44,232	-	-
<b>Total revenues</b>	<b>16,039,118</b>	<b>510,324</b>	<b>292,813</b>
<b>EXPENDITURES:</b>			
Current:			
General government	3,096,413	-	-
Public safety	6,172,088	-	-
Public works	645,016	-	-
Community development	1,099,249	289,978	32,409
Parks and recreation	1,362,940	-	-
Capital outlay	2,976,553	-	-
Debt service:			
Principal	35,350	-	-
Interest and fiscal charges	37,293	-	-
<b>Total expenditures</b>	<b>15,424,902</b>	<b>289,978</b>	<b>32,409</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>614,216</b>	<b>220,346</b>	<b>260,404</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from fiduciary activities	-	-	-
Transfers in	18,820	-	-
Transfers out	(770,367)	-	-
<b>Total other financing sources (uses)</b>	<b>(751,547)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(137,331)</b>	<b>220,346</b>	<b>260,404</b>
<b>FUND BALANCES:</b>			
Beginning of year	7,365,401	228,502	721,364
End of year	<b>\$ 7,228,070</b>	<b>\$ 448,848</b>	<b>\$ 981,768</b>

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

<b>Major Funds</b>			
<b>Basic</b>			
<b>Business</b>	<b>Other</b>		
<b>Loans</b>	<b>Governmental</b>		
<b>Revolving</b>	<b>Funds</b>	<b>Totals</b>	
\$ -	\$ 35,263	\$ 9,724,541	
-	19,440	548,041	
-	79,188	347,721	
	4,366,364	6,763,794	
95,290	217,026	1,280,535	
-	-	1,156,973	
-	-	1,788,989	
	373,978	418,210	
<b>95,290</b>	<b>5,091,259</b>	<b>22,028,804</b>	
-	-	3,096,413	
-	291,227	6,463,315	
-	1,019,999	1,665,015	
1,806	443,450	1,866,892	
-	252,510	1,615,450	
-	3,085,714	6,062,267	
-	-	35,350	
-	-	37,293	
<b>1,806</b>	<b>5,092,900</b>	<b>20,841,995</b>	
<b>93,484</b>	<b>(1,641)</b>	<b>1,186,809</b>	
-	696,173	696,173	
-	771,157	789,977	
-	(169,500)	(939,867)	
-	1,297,830	546,283	
<b>93,484</b>	<b>1,296,189</b>	<b>1,733,092</b>	
<b>1,029,518</b>	<b>4,965,442</b>	<b>14,310,227</b>	
<b>\$ 1,123,002</b>	<b>\$ 6,261,631</b>	<b>\$ 16,043,319</b>	

# City of Arcata, California

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

For the year ended June 30, 2018

Functions/Programs	Compensated				Capital				Government-wide		
	Absences/				Asset						
	Fund Based	Debt	Internal		(Additions)/	OPEB	Pension	Unavailable	UAL		
Functions/Programs	Totals	Service	Service	Depreciation	Retirements	Obligation	Plan	Revenue	Debt	Totals	
<b>Governmental activities:</b>											
General government	\$ 3,096,413	\$ (31,786)	\$ (152,193)	\$ 160,797	\$ -	\$ (107,154)	\$ 119,640	\$ -	\$ (108,849)	\$ 2,976,868	
Public safety	6,463,315	-	-	100,545	-	-	249,732	-	(227,206)	6,586,386	
Public works	1,665,015	-	-	329,831	2,267,088	-	64,333	-	(58,530)	4,267,737	
Community development	1,866,892	-	-	81,750	-	-	72,134	146,470	(65,627)	2,101,619	
Parks and recreation	1,615,450	-	-	99,917	-	-	62,418	-	(56,788)	1,720,997	
Capital outlay	6,062,267	-	-	-	(6,062,267)	-	-	-	-	-	
Debt service/Interest	<u>72,643</u>	<u>(35,350)</u>	-	-	-	-	-	-	-	<u>37,293</u>	
<b>Total governmental activities</b>	<b>\$ 20,841,995</b>	<b>\$ (67,136)</b>	<b>\$ (152,193)</b>	<b>\$ 772,840</b>	<b>\$ (3,795,179)</b>	<b>\$ (107,154)</b>	<b>\$ 568,257</b>	<b>\$ 146,470</b>	<b>\$ (517,000)</b>	<b>\$ 17,690,900</b>	

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, 2018**

---

---

<b>Net change in fund balances - total governmental funds</b>	\$ 1,733,092
---	--------------

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

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

Capital asset purchases capitalized	\$ 3,795,179
Depreciation expense	<u>(772,840)</u>
	3,022,339

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.

(146,470)

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	35,350
CalPERS UAL Debt	517,000

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

Change in compensated absences	31,786
--------------------------------	--------

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	107,154
Pension Plan	<u>(568,257)</u>
	(461,103)

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.

152,193

<b>Change in Net Position of governmental activities</b>	<u>\$ 4,884,187</u>
--	---------------------

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, 2018

	General Fund			Variance w/Final Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES:</b>					
Taxes and assessments	\$ 9,432,050	9,697,050	\$ 9,689,278	\$ (7,772)	
Licenses and permits	379,150	434,150	528,601	94,451	
Fines and forfeitures	255,000	255,000	268,533	13,533	
Intergovernmental	2,201,420	2,268,227	2,397,430	129,203	
Use of money and property	196,010	171,010	165,082	(5,928)	
Charges for services	822,650	1,046,574	1,156,973	110,399	
Reimbursements	1,829,909	1,821,909	1,788,989	(32,920)	
Other revenues	31,750	31,750	44,232	12,482	
<b>Total revenues</b>	<b>15,147,939</b>	<b>15,725,670</b>	<b>16,039,118</b>	<b>313,448</b>	
<b>EXPENDITURES:</b>					
Current:					
General government	3,166,192	3,410,244	3,096,413	313,831	
Public safety	6,174,932	6,281,487	6,172,088	109,399	
Public works	665,628	680,601	645,016	35,585	
Community development	1,229,961	1,221,056	1,099,249	121,807	
Parks and recreation	1,456,695	1,497,804	1,362,940	134,864	
Capital outlay	1,711,704	4,339,853	2,976,553	1,363,300	
Debt service:					
Principal	35,350	35,350	35,350	-	
Interest and fiscal charges	37,300	37,300	37,293	7	
<b>Total expenditures</b>	<b>14,477,762</b>	<b>17,503,695</b>	<b>15,424,902</b>	<b>2,078,793</b>	
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>670,177</b>	<b>(1,778,025)</b>	<b>614,216</b>	<b>2,392,241</b>	
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of long term debt	-	-	-	-	
Payments to CALPERS	-	-	-	-	
Proceeds from sales of assets	-	-	-	-	
Transfer from fiduciary activities	-	-	-	-	
Transfers in	10,000	18,000	18,820	820	
Transfers out	(812,547)	(820,547)	(770,367)	50,180	
<b>Total other financing sources (uses)</b>	<b>(802,547)</b>	<b>(802,547)</b>	<b>(751,547)</b>	<b>51,000</b>	
<b>Net change in fund balances</b>	<b>(132,370)</b>	<b>(2,580,572)</b>	<b>(137,331)</b>	<b>2,443,241</b>	
<b>FUND BALANCES:</b>					
Beginning of year	7,365,401	7,365,401	7,365,401	-	
End of year	<b>\$ 7,233,031</b>	<b>\$ 4,784,829</b>	<b>\$ 7,228,070</b>	<b>\$ 2,443,241</b>	

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

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
Budgeted Amounts		Variance w/Final		Budgeted Amounts		Variance w/Final	
Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
\$		\$		\$		\$	
-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
650,000	650,000	510,324	(139,676)	50,000	50,000	292,813	242,813
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
650,000	650,000	510,324	(139,676)	50,000	50,000	292,813	242,813
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
626,859	626,859	289,978	336,881	947	216,423	32,409	184,014
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
626,859	626,859	289,978	336,881	947	216,423	32,409	184,014
23,141	23,141	220,346	197,205	49,053	(166,423)	260,404	426,827
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,141	23,141	220,346	197,205	49,053	(166,423)	260,404	426,827
228,502	228,502	228,502	-	721,364	721,364	721,364	-
\$ 251,643	\$ 251,643	\$ 448,848	\$ 197,205	\$ 770,417	\$ 554,941	\$ 981,768	\$ 426,827

(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, 2018

<b>Basic Business Loan Revolving</b>					
	Budgeted Amounts				Variance w/Final
	Original	Final	Actual		Positive (Negative)
<b>REVENUES:</b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Use of money and property	65,000	65,000	95,290	30,290	30,290
Charges for services	-	-	-	-	-
Reimbursements	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>65,000</b>	<b>65,000</b>	<b>95,290</b>	<b>30,290</b>	<b>30,290</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	402,448	402,448	1,806	400,642	400,642
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>402,448</b>	<b>402,448</b>	<b>1,806</b>	<b>400,642</b>	<b>400,642</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(337,448)</b>	<b>(337,448)</b>	<b>93,484</b>	<b>430,932</b>	<b>430,932</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of long term debt					
Payments to CALPERS					
Transfer to Successory Agency	-	-	-	-	-
Transfer from fiduciary activities	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(337,448)</b>	<b>(337,448)</b>	<b>93,484</b>	<b>430,932</b>	<b>430,932</b>
<b>FUND BALANCES:</b>					
Beginning of year	1,029,518	1,029,518	1,029,518	-	-
End of year	<u>\$ 692,070</u>	<u>\$ 692,070</u>	<u>\$ 1,123,002</u>	<u>\$ 430,932</u>	<u>\$ 430,932</u>

(concluded)

*This page intentionally left blank.*



## ENTERPRISE FUNDS

Fund	Description
<b>Major Funds:</b>	
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, 2018**

---

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Transit Fund</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 6,303,981	\$ 7,409,869	\$ (106,935)
Receivables:			
Accounts	474,392	542,996	-
Intergovernmental	-	-	687,125
Inventory	84,170	11,343	-
Deposit	2,014	2,014	-
<b>Total current assets</b>	<b>6,864,557</b>	<b>7,966,222</b>	<b>580,190</b>
<b>Noncurrent assets:</b>			
Prepaid debt issuance costs	46,962	24,276	-
Capital assets, net	3,332,469	7,118,577	1,796,582
<b>Total noncurrent assets</b>	<b>3,379,431</b>	<b>7,142,853</b>	<b>1,796,582</b>
<b>Total Assets</b>	<b>10,243,988</b>	<b>15,109,075</b>	<b>2,376,772</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan	530,824	644,282	168,822
<b>Total assets and deferrd outflows of resources</b>	<b>\$ 10,774,812</b>	<b>\$ 15,753,357</b>	<b>\$ 2,545,594</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 140,061	\$ 848,536	\$ 51,423
Accrued payroll	51,568	62,985	13,161
Interest payable	-	1,993	-
Deposits payable	311,228	43,416	-
Compensated absences - current portion	14,746	17,181	2,590
Due within one year	68,250	162,000	-
<b>Total current liabilities</b>	<b>585,853</b>	<b>1,136,111</b>	<b>67,174</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	44,239	51,542	7,772
Due after one year	1,567,800	688,000	-
Net pension liability	1,685,489	1,938,347	488,477
<b>Total noncurrent liabilities</b>	<b>3,297,528</b>	<b>2,677,889</b>	<b>496,249</b>
<b>Total liabilities</b>	<b>3,883,381</b>	<b>3,814,000</b>	<b>563,423</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan	271,858	308,689	70,774
<b>Total deferred inflows of resources</b>	<b>271,858</b>	<b>308,689</b>	<b>70,774</b>
<b>Net Position:</b>			
Net investment in capital assets	1,764,669	6,430,577	1,796,582
Unrestricted	4,854,904	5,200,091	114,815
<b>Total net position</b>	<b>6,619,573</b>	<b>11,630,668</b>	<b>1,911,397</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 10,774,812</b>	<b>\$ 15,753,357</b>	<b>\$ 2,545,594</b>

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities	
			Internal Service Funds	
\$ 574,138	\$ 373,295	\$ 14,554,348	\$ 1,578,688	
30,863	75,712	1,123,963		-
15,973	12,838	715,936		-
-	953	96,466		18,236
-	-	4,028		
<u>620,974</u>	<u>462,798</u>	<u>16,494,741</u>		<u>1,596,924</u>
-	-	71,238		-
1,555	7,708,212	19,957,395		950,779
1,555	7,708,212	20,028,633		950,779
<u>622,529</u>	<u>8,171,010</u>	<u>36,523,374</u>		<u>2,547,703</u>
<u>83,323</u>	<u>154,574</u>	<u>1,581,825</u>		<u>167,412</u>
<u>\$ 705,852</u>	<u>\$ 8,325,584</u>	<u>\$ 38,105,199</u>		<u>\$ 2,715,115</u>
\$ 17,027	\$ 3,806	\$ 1,060,853	\$ 30,515	
8,946	16,060	152,720		18,550
-	-	1,993		-
-	2,400	357,044		-
2,099	4,014	40,630		4,857
-	-	230,250		15,293
<u>28,072</u>	<u>26,280</u>	<u>1,843,490</u>		<u>69,215</u>
6,297	12,041	121,891		14,574
-	-	2,255,800		-
<u>241,612</u>	<u>497,301</u>	<u>4,851,226</u>		<u>533,706</u>
<u>247,909</u>	<u>509,342</u>	<u>7,228,917</u>		<u>548,280</u>
<u>275,981</u>	<u>535,622</u>	<u>9,072,407</u>		<u>617,495</u>
<u>40,472</u>	<u>81,662</u>	<u>773,455</u>		<u>74,512</u>
<u>40,472</u>	<u>81,662</u>	<u>773,455</u>		<u>74,512</u>
1,555	7,708,212	17,701,595		950,779
<u>387,844</u>	<u>88</u>	<u>10,557,742</u>		<u>1,072,329</u>
<u>389,399</u>	<u>7,708,300</u>	<u>28,259,337</u>		<u>2,023,108</u>
<u>\$ 705,852</u>	<u>\$ 8,325,584</u>	<u>\$ 38,105,199</u>		<u>\$ 2,715,115</u>

# City of Arcata, California

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

### Proprietary Funds

For the year ended June 30, 2018

	Water Fund	Wastewater Fund	Transit Fund
<b>OPERATING REVENUES:</b>			
Charges for service	\$ 5,175,737	\$ 6,032,726	\$ 1,119,751
Interdepartmental charges	-	-	-
Other operating revenue	-	814	784
<b>Total operating revenues</b>	<b>5,175,737</b>	<b>6,033,540</b>	<b>1,120,535</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	1,186,303	1,445,752	423,907
Contractual services	130,598	505,802	303,336
Materials and supplies	162,222	1,218,405	4,623
Repairs and maintenance	140,280	113,889	132,880
Purchased water	1,103,210	-	-
Utilities	71,512	172,475	875
Insurance	62,352	62,352	55,485
Taxes and fees	21,793	71,569	354
Allocated overhead	453,070	453,070	87,330
Depreciation	154,118	445,233	195,745
Amortization	-	-	-
<b>Total operating expenses</b>	<b>3,485,458</b>	<b>4,488,547</b>	<b>1,204,535</b>
<b>OPERATING INCOME</b>	<b>1,690,279</b>	<b>1,544,993</b>	<b>(84,000)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Gain (Loss) from the sale of capital assets	-	-	-
Intergovernmental revenues (expenses)	-	-	62,147
Interest revenue	12,118	14,279	1,129
Interest expense	(69,258)	(22,029)	-
<b>Total non-operating revenues, net</b>	<b>(57,140)</b>	<b>(7,750)</b>	<b>63,276</b>
<b>NET INCOME BEFORE TRANSFERS</b>	<b>1,633,139</b>	<b>1,537,243</b>	<b>(20,724)</b>
Transfers in	-	-	-
Transfers out	(60,000)	(60,000)	(36,000)
<b>Total transfers</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(36,000)</b>
<b>CHANGE IN NET POSITION</b>	<b>1,573,139</b>	<b>1,477,243</b>	<b>(56,724)</b>
<b>NET POSITION:</b>			
Beginning of year	5,046,434	10,153,425	1,968,121
End of year	<b>\$ 6,619,573</b>	<b>\$ 11,630,668</b>	<b>\$ 1,911,397</b>

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

<b>Solid Waste Fund</b>	<b>Stormwater Utility Fund</b>	<b>Totals</b>	<b>Governmental Activities</b>	
			<b>Internal Service Funds</b>	
\$ 435,233	\$ 370,129	\$ 13,133,576	\$ -	
-	-	-		1,427,322
11,859	3,150	16,607		6,639
<u>447,092</u>	<u>373,279</u>	<u>13,150,183</u>		<u>1,433,961</u>
203,508	366,458	3,625,928		424,953
34,264	107,245	1,081,245		34,896
45,418	79,408	1,510,076		297,454
3,934	13,245	404,228		69,260
-	-	1,103,210		-
-	263	245,125		-
3,837	11,031	195,057		140,565
-	13,073	106,789		-
104,750	102,090	1,200,310		45,382
219	42,325	837,640		295,882
-	-	-		-
<u>395,930</u>	<u>735,138</u>	<u>10,309,608</u>		<u>1,308,392</u>
<u>51,162</u>	<u>(361,859)</u>	<u>2,840,575</u>		<u>125,569</u>
-	-	-		23,487
-	17,075	79,222		-
1,284	1,932	30,742		3,120
-	(91,287)			17
<u>1,284</u>	<u>19,007</u>	<u>18,677</u>		<u>26,624</u>
52,446	(342,852)	2,859,252		152,193
-	340,890	340,890		-
(35,000)	-	(191,000)		-
<u>(35,000)</u>	<u>340,890</u>	<u>149,890</u>		<u>-</u>
17,446	(1,962)	3,009,142		152,193
371,953	7,710,262	25,250,195		1,870,915
<u>\$ 389,399</u>	<u>\$ 7,708,300</u>	<u>\$ 28,259,337</u>		<u>\$ 2,023,108</u>

**City of Arcata, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

---

	<b>Water Fund</b>	<b>Wastewater Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers/users for services provided	\$ 5,136,093	\$ 6,047,238
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(2,126,700)	(1,878,224)
Cash payments to employees for services	(1,122,386)	(1,363,717)
<b>Net cash provided by operating activities</b>	<b>1,887,007</b>	<b>2,805,297</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers received	-	-
Transfers paid	(60,000)	(60,000)
<b>Net cash used by noncapital financing activities</b>	<b>(60,000)</b>	<b>(60,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants received	-	-
Acquisition and construction of capital assets	(1)	(476,703)
Principal paid on long term debt	(65,650)	(159,000)
Interest paid on long term debt	(69,258)	(22,029)
Proceeds from the sale of capital assets	-	-
<b>Net cash (used) by capital and related financing activities</b>	<b>(134,909)</b>	<b>(657,732)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	12,118	14,279
<b>Net cash provided by investing activities</b>	<b>12,118</b>	<b>14,279</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,704,216</b>	<b>2,101,844</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	4,599,765	5,308,025
End of year	<b>\$ 6,303,981</b>	<b>\$ 7,409,869</b>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>		
Operating income	\$ 1,690,279	\$ 1,544,993
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	154,118	445,233
Pension expense	56,245	68,635
(Increase) decrease in current assets:		
Accounts receivable	(64,352)	(4,130)
Intergovernmental receivables	-	-
Inventory	737	2,398
Deposits	(2,014)	(2,014)
Increase (decrease) in liabilities:		
Accounts payable	19,614	718,954
Accrued liabilities	3,808	7,146
Deposits payable	24,708	17,828
Compensated absences	3,864	6,254
<b>Net cash provided by operating activities</b>	<b>\$ 1,887,007</b>	<b>\$ 2,805,297</b>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2018.

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	
\$ 495,769	\$ 451,748	\$ 547,607	\$ 12,678,455	\$ -	1,433,961
(542,506)	(178,304)	(371,808)	(5,097,542)		(578,581)
(412,725)	(195,067)	(347,462)	(3,441,357)		(400,305)
<u>(459,462)</u>	<u>78,377</u>	<u>(171,663)</u>	<u>4,139,556</u>		<u>455,075</u>
		340,890	340,890		-
<u>(36,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>(191,000)</u>		<u>-</u>
<u>(36,000)</u>	<u>(35,000)</u>	<u>340,890</u>	<u>149,890</u>		<u>-</u>
62,147		17,075	79,222		
(197,811)	(1)	-	(674,516)		(344,899)
-	-	-	(224,650)		(14,635)
-	-	-	(91,287)		17
-	-	-	-		23,487
<u>(135,664)</u>	<u>(1)</u>	<u>17,075</u>	<u>(911,231)</u>		<u>(336,030)</u>
1,129	1,284	1,932	30,742		3,120
<u>1,129</u>	<u>1,284</u>	<u>1,932</u>	<u>30,742</u>		<u>3,120</u>
(629,997)	44,660	188,234	3,408,957		122,165
523,062	529,478	185,061	11,145,391		1,456,523
<u>\$ (106,935)</u>	<u>\$ 574,138</u>	<u>\$ 373,295</u>	<u>\$ 14,554,348</u>		<u>\$ 1,578,688</u>
\$ (84,000)	\$ 51,162	\$ (361,859)	\$ 2,840,575	\$ 125,569	
195,745	219	42,325	837,640		295,882
19,306	8,437	16,114	168,737		20,066
-	1,224	177,447	110,189		-
(624,766)	3,432	(3,119)	(624,453)		-
-	-	994	4,129		(5,809)
-	-	-	(4,028)		
42,377	13,899	(46,447)	748,397		14,785
(4,431)	890	1,452	8,865		1,151
-	-	-	42,536		-
(3,693)	(886)	1,430	6,969		3,431
<u>\$ (459,462)</u>	<u>\$ 78,377</u>	<u>\$ (171,663)</u>	<u>\$ 4,139,556</u>		<u>\$ 455,075</u>

*This page intentionally left blank.*



## FIDUCIARY ACTIVITIES

Fund	Description
<b>Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.</b>	
<b>Private Purpose Trust Funds</b> 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, 2018**

---

	<u>Successor Agency</u>
	<u>Former Arcata</u>
	<u>Community</u>
	<u>Development</u>
	<u>Agency</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 7,892
Cash and investments with trustee/fiscal agent	126
Total current assets	<u>8,018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plan	68,627
<b>Total assets and deferred outflows of resources</b>	<u>\$ 76,645</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to City of Arcata	\$ 179,512
Due within one year	386,483
Total current liabilities	<u>565,995</u>
Long-term liabilities:	
Due after one year	5,021,408
Net pension liability	211,787
Total long-term liabilities	<u>5,233,195</u>
<b>Total liabilities</b>	<u>5,799,190</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension plan	54,775
<b>Total deferred inflows of resources</b>	<u>54,775</u>
<b>NET POSITION (DEFICIT)</b>	
Net position held in trust for	
Redevelopment Dissolution	(5,777,320)
<b>Total Net Position (deficit)</b>	<u>(5,777,320)</u>
<b>Total liabilities and net position</b>	<u>\$ 76,645</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, 2018**

---

	<u>Successor Agency</u>
Former Arcata	Community
Community	Development
Development	Agency
	<hr/>
<b>ADDITIONS:</b>	
Property taxes	\$ 287,246
Investment income	146
<b>Total operating revenues</b>	<hr/> 287,392
<b>DEDUCTIONS:</b>	
Community development	5,117
Interest and trustee fees	191,799
Transfer to City	696,173
<b>Total operating expenses</b>	<hr/> 893,089
<b>CHANGE IN FIDUCIARY NET ASSETS</b>	<hr/> (605,697)
<b>NET ASSETS (DEFICIT):</b>	
Beginning of year	(5,171,623)
End of year	<hr/> \$ (5,777,320)

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

*This page intentionally left blank.*



## **NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

**Index to Notes to Basic Financial Statements**

---

	<u>Page</u>
<b>Note 1 - Summary of Significant Accounting Policies.....</b>	51
Financial Reporting Entity.....	52
Basis of Presentation.....	52
Measurement Focus .....	54
Basis of Accounting.....	54
Assets, Liabilities, and Equity .....	55
Revenues, Expenditures, and Expenses.....	60
Budgetary Accounting .....	61
<b>Note 2 – Cash and Investments.....</b>	63
<b>Note 3 – Accounts Receivable .....</b>	67
<b>Note 4 – Loans and Notes Receivable .....</b>	67
<b>Note 5 – Capital Assets .....</b>	69
<b>Note 6 – Accounts Payable and Accrued Liabilities .....</b>	71
<b>Note 7 – Long-term Liabilities.....</b>	71
<b>Note 8 – Net Position/Fund Balances .....</b>	74
<b>Note 9 – Interfund Transactions .....</b>	77
<b>Note 10 – Risk Management .....</b>	79
<b>Note 11 – Public Employee Retirement System .....</b>	80
<b>Note 12 – Other Post-Employment Benefits.....</b>	86
<b>Note 13 – Successor Agency for Assets of Former Redevelopment Agency.....</b>	90
<b>Note 14 – Commitments and Contingencies.....</b>	92
<b>Note 15 – New Accounting Pronouncements.....</b>	92

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

## **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, 2018**

---

**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, 2018**

---

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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, 2018**

---

**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.

**Prior Period Adjustment**

Due to the City's adoption of GASB 75, net position was adjusted at June 30, 2018. The following is a reconciliation of the total net position as previously reported at July 1, 2017 to the restated net position.

<b>Governmental Activities</b>	
Net Position at June 30, 2017	\$ 54,510,363
Adjustment:	
Adoption of GASB 75, OPEB	(603,996)
Total Adjustments	(603,996)
Net Position at July 1, 2017, as adjusted	\$ 53,906,367

**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, 2018**

---

**2. CASH AND INVESTMENTS**

At June 30, 2018, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair Market Value
	<1	1 to 3	3 to 5		
<b><u>Cash equivalents and investments pooled</u></b>					
Pooled cash, at fair value					
Cash in bank	\$ -	\$ -	\$ -	\$ 11,640,654	\$ 11,640,654
Petty cash	-	-	-	1,425	1,425
Total pooled items	-	-	-	11,642,079	11,642,079
<b><u>Pooled investments, at fair value</u></b>					
Interest obligations					
Par	Rate				
\$ 6,750,000	1.125 - 2.750%	Federal Agency Securities	1,021,183	2,635,613	2,948,610
1,425,000	1.250 - 2.625%	Corporate notes	622,755	740,883	48,921
6,085,000	0.875 - 2.625%	US Treasury Notes	745,734	2,625,252	2,561,987
		Cash equivalent	51,549	-	-
			6,327,626	-	-
State of California Local Agency Investment Fund					
Total pooled investments - interest obligations			8,768,847	6,001,748	5,559,518
Total cash equivalents and investments pooled			\$ 8,768,847	\$ 6,001,748	\$ 5,559,518
				\$ 11,642,079	\$ 31,972,192
<b>Amounts reported in:</b>					
Governmental activities					\$ 14,760,688
Governmental activities - Restricted					2,649,138
Business-type activities					14,554,348
Fiduciary activities					8,018
Total					\$ 31,972,192
<b>Investment Type</b>		<b>Fair Value</b>		<b>Weighted Average Maturity (Years)</b>	
Federal agency securities		\$ 6,605,406		2.60	
Corporate notes		1,412,559		1.25	
U.S. Treasury notes		5,932,973		-	
Money market funds		51,549		2.71	
State investment pool		6,327,626		-	
Total fair value		\$ 20,330,113			
Portfolio weighted average maturity				1.72	

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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, 2018, 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, 2018**

---

**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, 2018, 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 1.89% 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, 2018**

---

**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, 2018, the carrying amount of the City's deposits was \$11,640,654 and the balances in financial institutions were \$12,192,437. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$11,942,437 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2018, 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, 2018 was \$20,548,942,230 of which the City had a balance of \$6,627,626. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2018 has a portfolio with market valuation of \$88,798,232 thousand. Of the total invested, 98.11% was invested in non-derivative financial products and 1.89% 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, 2018**

---

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2018:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 109,274	\$ (900)	\$ 108,374
Intergovernmental	1,985,011	-	1,985,011
Interest	30,081	-	30,081
Taxes	594,691	-	594,691
	<u>\$ 2,719,057</u>	<u>\$ (900)</u>	<u>\$ 2,718,157</u>
Business-type activities			
Accounts receivable	\$ 1,169,063	\$ (45,100)	\$ 1,123,963
Intergovernmental	715,936	-	715,936
	<u>\$ 1,884,999</u>	<u>\$ (45,100)</u>	<u>\$ 1,839,899</u>

These amounts resulted in the following concentrations in receivables:

Other Governments 72.30%  
 Individuals/Business 27.70%

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, 2018, consisted of the following:

	<u>Beginning July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending June 30, 2018</u>
Community Development Block Grant	\$ 7,936,920		\$ (27,508)	\$ 7,909,412
HOME loans	10,741,723	-	(174,843)	10,566,880
Basic business revolving loans	82,929	-	(6,449)	76,480
Mobile home park low income housing assistance	1,721,299	-	-	1,721,299
First time home buyers	126,511	-	(10,072)	116,439
Rehabilitation loans	880,000	-	-	880,000
Housing successor loans	2,358,883	-	(197)	2,358,686
Total loans/notes receivable	<u>\$ 23,848,265</u>	<u>\$ -</u>	<u>\$ (219,069)</u>	<u>\$ 23,629,196</u>

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**4. LOANS AND NOTES RECEIVABLE, *continued***

The following is a summary of the loans and notes receivable outstanding as of June 30, 2018:

**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, 2018, was \$7,909,412.

**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, 2018, was \$10,566,880.

**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, 2018, was \$76,480.

**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, 2018, 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, 2018, was \$116,439.

**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, 2018, was \$880,000.

**Housing Successor Loans** – In its April 2014 Asset Transfer Review Report (“SCO Review Report”), the State Controller’s Office determined that the former Arcata Community Development Agency had transferred \$30,586,012 in cash, investment funds and other assets to the City of Arcata and ordered the City to transfer \$8,751,178 of these assets to the Successor Agency.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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, 2018, the balance of this promissory note was \$2,358,686.

**5. CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Governmental activities:</b>					
<b>Nondepreciable assets:</b>					
Land	\$ 16,278,729	\$ 256,352	\$ -	\$ -	\$ 16,535,081
Undergrounding facilities	90,025	-	-	-	90,025
<b>Total nondepreciable assets</b>	<b>16,368,754</b>	<b>256,352</b>	<b>-</b>	<b>-</b>	<b>16,625,106</b>
<b>Depreciable assets:</b>					
Buildings and structures	12,197,676	47,088	-	-	12,244,764
Furniture and equipment	5,458,789	156,406	(2,019)	-	5,613,176
Improvements	8,263,659	3,335,333	(58,611)	-	11,540,381
Infrastructure	44,850,104	-	-	-	44,850,104
Vehicles	4,330,664	344,900	(247,634)	-	4,427,930
<b>Total depreciable assets</b>	<b>75,100,892</b>	<b>3,883,727</b>	<b>(308,264)</b>	<b>-</b>	<b>78,676,355</b>
<b>Total</b>	<b>91,469,646</b>	<b>4,140,079</b>	<b>(308,264)</b>	<b>-</b>	<b>95,301,461</b>
<b>Accumulated depreciation:</b>					
Buildings and structures	(6,993,455)	(271,577)	-	-	(7,265,032)
Furniture and equipment	(4,712,664)	(171,997)	59,018	-	(4,825,643)
Improvements	(3,240,131)	(219,124)	1,611	-	(3,457,644)
Infrastructure	(40,060,202)	(149,044)	-	-	(40,209,246)
Vehicles	(3,594,614)	(256,980)	247,634	-	(3,603,960)
<b>Total accumulated depreciation</b>	<b>(58,601,066)</b>	<b>(1,068,722)</b>	<b>308,263</b>	<b>-</b>	<b>(59,361,525)</b>
<b>Net depreciable assets</b>	<b>16,499,826</b>	<b>2,815,005</b>	<b>(1)</b>	<b>-</b>	<b>19,314,830</b>
<b>Total net capital assets</b>	<b>\$ 32,868,580</b>	<b>\$ 3,071,357</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ 35,939,936</b>

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

General government	\$ 160,797
Public safety	100,545
Public works	329,831
Community development	81,750
Parks and recreation	99,917
Central Garage	281,184
Information Technology	14,698
	<b>\$ 1,068,722</b>

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**5. CAPITAL ASSETS, *continued***

Business-type capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b><u>Business-type activities</u></b>					
<b>Nondepreciable assets:</b>					
Land	\$ 7,569,579		\$ -	\$ -	\$ 7,569,579
<b>Total nondepreciable assets</b>	<b>7,569,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,569,579</b>
<b>Depreciable assets:</b>					
Underground facilities	8,559,327	-	-	-	8,559,327
Buildings and structures	9,258,415	23,811	-	-	9,282,226
Furniture and equipment	2,997,377	52,000	(28,069)	-	3,021,308
Other improvements	8,036,966	598,704	-	-	8,635,670
Vehicles	2,776,851	-	-	-	2,776,851
<b>Total depreciable assets</b>	<b>31,628,936</b>	<b>674,515</b>	<b>(28,069)</b>	<b>-</b>	<b>32,275,382</b>
<b>Total</b>	<b>39,198,515</b>	<b>674,515</b>	<b>(28,069)</b>	<b>-</b>	<b>39,844,961</b>
<b>Accumulated depreciation:</b>					
Undergrounding facilities	(4,711,524)	(182,344)	-	-	(4,893,868)
Buildings and structures	(6,764,846)	(228,610)	-	-	(6,993,456)
Furniture and equipment	(2,842,624)	(57,233)	28,070	-	(2,871,787)
Other improvements	(3,323,069)	(212,082)	-	-	(3,535,151)
Vehicles	(1,435,933)	(157,371)	-	-	(1,593,304)
<b>Total accumulated depreciation</b>	<b>(19,077,996)</b>	<b>(837,640)</b>	<b>28,070</b>	<b>-</b>	<b>(19,887,566)</b>
<b>Net depreciable assets</b>	<b>12,550,940</b>	<b>(163,125)</b>	<b>1</b>	<b>-</b>	<b>12,387,816</b>
<b>Total net capital assets</b>	<b>\$ 20,120,519</b>	<b>\$ (163,125)</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 19,957,395</b>

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

Water	\$ 154,118
Wastewater	445,233
Transit	195,745
Solid Waste	219
Stormwater	42,325
	<b>\$ 837,640</b>

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2018:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 541,508	\$ 1,060,853	\$ 1,602,361
Accrued payroll and related liabilities	474,924	152,720	627,644
<b>Total</b>	<b>\$ 1,016,432</b>	<b>\$ 1,213,573</b>	<b>\$ 2,230,005</b>

These amounts resulted in the following concentrations in payables:

Vendors	72%
Employees	28%

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, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 29,928	\$ -	\$ (14,635)	\$ 15,293	\$ 15,293
2015 Refunding of 2008 Lease Governmental share	916,300	-	(35,350)	880,950	36,750
CalPERS UAL Debt	2,711,000		(517,000)	2,194,000	414,000
<b>Total governmental debt</b>	<b>\$ 3,657,228</b>	<b>\$ -</b>	<b>\$ (566,985)</b>	<b>\$ 3,090,243</b>	<b>\$ 450,750</b>
Compensated absences	460,305	-	(28,355)	431,950	107,987
Net OPEB obligation	1,775,353	2,772,195	(1,775,353)	2,772,195	-
Net Pension liability	13,737,850	1,787,322	-	15,525,172	-
<b>Total other governmental long-term liabilities</b>	<b>15,973,508</b>	<b>4,559,517</b>	<b>(1,803,708)</b>	<b>18,729,317</b>	<b>107,987</b>
<b>Total governmental activities</b>	<b>\$ 19,630,736</b>	<b>\$ 4,559,517</b>	<b>\$ (2,370,693)</b>	<b>\$ 21,819,560</b>	<b>\$ 558,737</b>
<b>Business-type activities</b>					
2015 Refunding of 2008 Loan	\$ 1,009,000	\$ -	\$ (159,000)	\$ 850,000	\$ 162,000
2015 Refunding of 2008 Lease Water Enterprise Share	1,701,700	-	(65,650)	1,636,050	68,250
<b>Total business-type activity debt</b>	<b>2,710,700</b>	<b>-</b>	<b>(224,650)</b>	<b>2,486,050</b>	<b>230,250</b>
Compensated absences	155,552	6,969	-	162,521	40,630
<b>Total business-type activities</b>	<b>\$ 2,866,252</b>	<b>\$ 6,969</b>	<b>\$ (224,650)</b>	<b>\$ 2,648,571</b>	<b>\$ 270,880</b>

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

---

**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, 2018, was \$29,928.

**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, 2018**

---

**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 \$594,471 at June 30, 2018, of that amount \$148,617 is expected to be paid within a year.

**Debt Service**

Future debt service for Governmental Activities at June 30, 2018, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	Capital Lease Obligations		2015 Refunding of 2008 Lease		CalPERS UAL Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	41,300	31,795	255,000	42,638
2023	-	-	43,050	30,082	230,000	33,300
2024 - 2028	-	-	244,300	122,025	687,000	63,600
2029 - 2033	-	-	299,600	66,902	28,000	788
2034 - 2036	-	-	137,900	8,642	-	-
<b>Total</b>	<b>\$ 15,293</b>	<b>\$ 688</b>	<b>\$ 880,950</b>	<b>\$ 364,491</b>	<b>\$ 2,194,000</b>	<b>\$ 335,588</b>
Due within one year	\$ 15,293	\$ 688	\$ 36,750	\$ 36,560	\$ 414,000	\$ 78,431
Due after one year	-	-	844,200	327,931	1,780,000	257,157
<b>Total</b>	<b>\$ 15,293</b>	<b>\$ 688</b>	<b>\$ 880,950</b>	<b>\$ 364,491</b>	<b>\$ 2,194,000</b>	<b>\$ 335,588</b>
Year Ending June 30,	Total					
	Principal	Interest				
2019	466,043	115,679				
2020	339,150	98,990				
2021	318,900	86,326				
2022	296,300	74,433				
2023	273,050	63,382				
2024 - 2028	931,300	185,625				
2029 - 2033	327,600	67,690				
2034 - 2036	137,900	8,642				
<b>Total</b>	<b>\$ 3,090,243</b>	<b>\$ 700,767</b>				
Due within one year	\$ 466,043	\$ 115,679				
Due after one year	2,624,200	585,088				
<b>Total</b>	<b>\$ 3,090,243</b>	<b>\$ 700,767</b>				

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**7. LONG-TERM LIABILITIES, continued**

Future debt service for Business-type Activities at June 30, 2018, is as follows:

Year Ending June 30,	Business Type Activities					
	2015 Refunding of 2008 Loan		2015 Refunding of 2008 Lease		Water Enterprise share	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 162,000	\$ 18,225	\$ 68,250	\$ 67,896	\$ 230,250	\$ 86,121
2020	166,000	14,339	70,850	65,064	236,850	79,403
2021	170,000	10,357	74,100	62,123	244,100	72,480
2022	174,000	6,281	76,700	59,048	250,700	65,329
2023	178,000	2,109	79,950	55,865	257,950	57,974
2024 - 2028	-	-	453,700	226,617	453,700	226,617
2029 - 2033	-	-	556,400	124,247	556,400	124,247
2034 - 2037	-	-	256,100	16,050	256,100	16,050
Total	<u>\$ 850,000</u>	<u>\$ 51,311</u>	<u>\$ 1,636,050</u>	<u>\$ 676,910</u>	<u>\$ 2,486,050</u>	<u>\$ 728,221</u>
Due within one year	\$ 162,000	\$ 18,225	\$ 68,250	\$ 67,896	\$ 230,250	\$ 86,121
Due after one year	<u>688,000</u>	<u>33,086</u>	<u>1,567,800</u>	<u>609,014</u>	<u>2,255,800</u>	<u>642,100</u>
Total	<u>\$ 850,000</u>	<u>\$ 51,311</u>	<u>\$ 1,636,050</u>	<u>\$ 676,910</u>	<u>\$ 2,486,050</u>	<u>\$ 728,221</u>

**8. NET POSITION/ FUND BALANCES**

**Net position**

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 32,864,986	\$ 17,701,595	\$ 50,566,581
Restricted	1,944,742	-	1,944,742
Unrestricted	<u>23,974,918</u>	<u>10,557,742</u>	<u>34,532,660</u>
Total	<u>\$ 58,784,646</u>	<u>\$ 28,259,337</u>	<u>\$ 87,043,983</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.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**8. NET POSITION/ FUND BALANCES, continued**

**Fund Balance**

Nonspendable and Restricted fund balance consisted of the following at June 30, 2018:

Nonspendable:	
Inventory	\$ 119,036
<b>Total Nonspendable</b>	<b><u>\$ 119,036</u></b>
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 448,848
Housing Revolving	981,768
Traffic Safety	56,085
Gas Tax	364,949
Federal Grants	575,174
<b>Total Restricted</b>	<b><u>\$ 2,426,824</u></b>

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

**Nonspendable**

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

**Restricted**

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

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

---

**8. NET POSITION/ FUND BALANCES, continued**

**Fund Balance Deficits**

Deficit fund balances consisted of the following:

	<u>As of</u> <u>June 30, 2018</u>
<b>Nonmajor Special Revenue Funds:</b>	
Federal Grant Funds:	
HUD Block Grant	\$ (22,932)
<b>Total Nonmajor Funds</b>	<u>(22,932)</u>
<b>Total Fund Balance Deficits</b>	<u><u>\$ (22,932)</u></u>

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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, 2018:

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

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, 2018**

---

**9. INTERFUND TRANSACTIONS, *continued***

Transfers consisted of the following at June 30, 2018:

	Transfers In	Transfers Out
<b><u>Governmental Funds</u></b>		
<b>Major Funds:</b>		
General Fund	\$ 18,820	\$ 770,367
Total Major Funds	<u>18,820</u>	<u>770,367</u>
<b>Nonmajor Funds:</b>		
Traffic Safety	125,484	-
Industrial Park	-	1,000
GAS Tax Funds	645,673	-
Federal Grant Funds	-	125,000
In Lieu Fee Funds	-	7,500
Assessment District Funds	-	30,000
City Capital Projects Fund	-	6,000
Total Nonmajor Funds	<u>771,157</u>	<u>169,500</u>
Total Governmental Funds	<u>789,977</u>	<u>939,867</u>
<b><u>Proprietary Funds</u></b>		
Water Fund	-	60,000
Wastewater Fund	-	60,000
Transit Fund	-	36,000
Solid Waste Fund	-	35,000
Stormwater Utility Fund	340,890	-
Total Proprietary Funds	<u>340,890</u>	<u>191,000</u>
Total Transfers	<u>\$ 1,130,867</u>	<u>\$ 1,130,867</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.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

## **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, 2017, the most recent period available:

Total assets	\$ 21,917,772
Total deferred outflows of resources	851,545
Total liabilities	(26,887,778)
Total Deferred inflows of resources	(105,039)
Members' equity	<u><u>\$ (4,223,500)</u></u>
Total revenue	\$ 24,020,234
Total expense	(25,618,977)
Operating income (loss)	<u><u>\$ (1,598,743)</u></u>

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

## **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, 2018**

---

**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, 2018, are summarized as follows:

	<b>Miscellaneous</b>	<b>Miscellaneous Second Tier</b>
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63
Monthly benefits, as a % of eligible compensation	2% - 7%	1.4% - 2.4%
Required employee contribution rates	8%	7%
Required employer contribution rates	11.675%	8.418%
	<b>PEPRA Miscellaneous</b>	<b>Safety Plan</b>
Hire date	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 62	3% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	52 - 67	50
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	3%
Required employee contribution rates	6.25%	9.0%
Required employer contribution rates	6.53%	19.723%
	<b>Safety Second Tier</b>	<b>PEPRA Safety Police</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	16.824%	11.990%

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	PEPRA					
	Miscellaneous	Miscellaneous	Plan	Safety Plan	Second Tier	PEPRA Safety Police Plan
Miscellaneous	Second Tier	Plan	Safety Plan	Second Tier	Tier Plan	Police Plan
Contributions - employer	\$ 340,321	\$ 21,763	\$ 78,747	\$ 201,904	\$ 40,567	\$ 37,156
Contributions - employee	\$ 280,423	\$ 29,172	\$ 98,737	\$ 121,952	\$ 29,461	\$ 49,292

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 13,481,206
Safety	\$ 7,106,979
Total Net Pension Liability	\$ 20,588,185

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, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

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

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

	<u>Miscellaneous</u>	<u>Safey</u>
Proportion - June 30, 2015	0.34460%	0.12179%
Proportion - June 30, 2016	0.34198%	0.11894%
Change - Increase (Decrease)	-0.00262%	-0.00285%

For the year ended June 30, 2016, the City recognized pension expense of \$2,094,973. At June 30, 2018, 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
Changes in assumptions	\$ 3,342,284	\$ 255,397
Differences between expected and actual experiences	97,116	273,571
Net differences between projected and actual earnings on plan investments	746,529	-
Differences between the employer's contributions and the employer's proportionate share of the contributions	510,721	1,002,021
Adjustments due to differences in proportion	605,230	1,496,510
Pension contributions subsequent to measurement date	1,334,899	-
<b>Total</b>	<b>\$ 6,636,779</b>	<b>\$ 3,027,499</b>

\$1,334,899 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, 2018. 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	
<u>30-Jun</u>	
2018	\$ 276,473
2019	1,313,799
2020	1,125,180
2021	(441,071)
2022	-
Thereafter	-

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

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

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

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

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

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

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

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

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

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**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 <u>(6.15%)</u>	Current <u>Discount Rate</u> <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
Net Pension Liability as of June 30, 2016			
Miscellaneous	\$ 20,699,421	\$ 13,481,206	\$ 7,502,949
Safety	<u>10,914,297</u>	<u>7,106,979</u>	<u>3,994,687</u>
Total	<u><u>\$ 31,613,718</u></u>	<u><u>\$ 20,588,185</u></u>	<u><u>\$ 11,497,636</u></u>

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

**12. OTHER POST EMPLOYMENT BENEFITS**

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

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

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**12. OTHER POST EMPLOYMENT BENEFITS, *continued***

***Employees Covered by benefit terms***

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees Receiving Benefits	15
Inactive Employees Entitled to But Not Receiving Benefits	0
Participating Active Employees	111
<b>Total Number of participants</b>	<b>126</b>

***Net OPEB Liability***

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

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

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

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

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

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

## 12. OTHER POST EMPLOYMENT BENEFITS, *continued*

Asset Class Component	CERBT Strategy 2	Rate of Return
US Large Cap	40%	7.7950%
US Small Cap	10%	7.7950%
Long-Term Corporate Bond	18%	5.2950%
Long-Term Government Bo	6%	4.5000%
Treasury Inflation Protectecd	15%	7.7950%
US Real Estate	8%	7.7950%
All Commodities	3%	7.7950%
	100%	

### *Discount Rate*

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

### ***Changes in the OPEB Liability***

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

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2017	\$ 2,879,349	\$ -	\$ 2,879,349
Changes for the year			
Service Cost	187,260	-	187,260
Interest	193,076	-	193,076
Employer Contributions	-	500,000	(500,000)
Employee Contributions	-	-	-
Actual Investment Income	-	(12,338)	12,338
Administrative expenses	-	(172)	172
Benefit payments	-	-	-
Other	-	-	-
Net Changes	380,336	487,490	(107,154)
Balance at 6/30/2018*	\$ 3,259,685	\$ 487,490	\$ 2,772,195

\*May include a slight rounding error

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**12. OTHER POST EMPLOYMENT BENEFITS, Continued**

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

The discount rate used for the fiscal year end 2018 is 6.5%. The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Rate	1% Increase
Change in Discount Rate	5.50%	6.50%	7.50%
Net OPEB Liability	\$ 3,012,226	\$ 2,772,195	\$ 2,555,372

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

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Trend	1% Increase
Change in Healthcare Cost Trend Rate	\$ 2,565,839	\$ 2,772,195	\$ 2,985,357

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$392,846. As of fiscal year ended June 30, 2018, the City did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

**City of Arcata, California  
Basic Financial Statements  
For the year ended June 30, 2018**

---

**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.

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.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

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

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).

**Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

<b>Trust Activities:</b>	<b>Balance</b>			<b>Balance</b>	<b>Due Within One Year</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>		
2015 Tax Allocation Refunding Bonds	\$ 5,782,362	\$ -	\$ (374,471)	\$ 5,407,891	\$ 386,483
<b>Total trust fund debt</b>	<b>\$ 5,782,362</b>	<b>\$ -</b>	<b>\$ (374,471)</b>	<b>\$ 5,407,891</b>	<b>\$ 386,483</b>

**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, 2018, is as follows:

<b>Year Ending June 30,</b>	<b>Fiduciary Activities</b>		
	<b>Principal</b>	<b>Interest</b>	
2019	\$ 386,483	\$ 177,949	
2020	340,144	164,904	
2021	215,999	154,398	
2022	144,103	148,373	
2023	149,793	143,539	
2024-2028	2,425,353	533,887	
2029-2032	1,746,016	105,229	
<b>Total</b>	<b>\$ 5,407,891</b>	<b>\$ 1,428,279</b>	
Due within one year	\$ 386,483	\$ 177,949	
Due after one year	5,021,408	1,250,330	
<b>Total</b>	<b>\$ 5,407,891</b>	<b>\$ 1,428,279</b>	

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

## **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, 2018.

## **15. NEW ACCOUNTING PRONOUNCEMENTS**

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, 2018. The City has implemented this statement.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

## **15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2017. This statement had no effect on these financial statements.

The GASB has issued Statement No. 82, "*Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement had no effect on these financial statements.

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2019.

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

The GASB has issued Statement No. 85, "*Omnibus 2017*." The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement had no effect on these financial statements.

**City of Arcata, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued Statement No. 86, "*Certain Debt Extinguishment Issues*." The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement had no effect on these financial statements.

The GASB has issued Statement No. 87, "*Leases*." The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**



*This page intentionally left blank.*



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

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 187,260
Interest on the total OPEB liability	193,076
Differences between expected and actual experience	-
Changes of benefit terms	-
Changes of assumptions	-
Benefit payments	-
<b>Net change in total OPEB liability</b>	<b>380,336</b>
<b>Total OPEB liability - beginning</b>	<b>2,879,349</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 3,259,685</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 500,000
Contributions - employee	(12,338)
Actual investment income	(172)
Administrative expense	487,490
<b>Net change in plan fiduciary net position</b>	<b>487,490</b>
 <b>Plan fiduciary net position - beginning</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 487,490</b>
 <b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 2,772,195</b>
 Covered-employee payroll	 \$ 6,229,622
Net OPEB liability as a percentage of covered-employee payroll	44.50%

**Notes to Schedule**

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

## **City of Arcata, California**

### **Required Supplementary Information - Net OPEB Liability Schedule of Contributions** **June 30, 2018**

---

---

Fiscal Year Ended June 30,	2018
Actuarially Determined Contribution (ADC)	\$ 500,000
Contributions in relation to the ADC	500,000
Contribution deficiency ( excess)	\$ -
Covered-employee payroll	6,229,622

Contributions as a percentage of covered-employee payroll 8.03%

#### **Notes to Schedule**

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

# City of Arcata, California

## Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years\*

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

### Notes to Schedule

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

\*Due to a change in CalPERS reporting information, only 2017 was available. Additional years will be presented as they become available.

# City of Arcata, California

## Required Supplementary Information - Schedule of Contributions

### Safety Plan

Last 10 Fiscal Years\*

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

### Notes to Schedule

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

\*Due to a change in CalPERS reporting information, only 2017 was available. Additional years will be presented as they become available.

## **City of Arcata, California**

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

Miscellaneous Plan

Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>
Plan's Proportion of the Net Pension Liability/(Asset)	0.34198%	0.34460%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 13,481,206	\$ 11,971,084
Plan's Covered-Employee Payroll	\$ 4,735,901	\$ 4,761,772
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	284.66%	251.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.31%	74.83%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 1,475,506	\$ 1,325,580

#### **Notes to Schedule**

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

\*Due to a change in CalPERS reporting information, only 2017 was available. Additional years will be presented as they become available.

## **City of Arcata, California**

### **Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability Safety Plan**

Last 10 Fiscal Years\*

---

	<b>2017</b>	<b>2016</b>
Plan's Proportion of the Net Pension Liability/(Asset)	0.11894%	0.12179%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 7,106,979	\$ 6,307,600
Plan's Covered-Employee Payroll	\$ 1,493,721	\$ 1,654,498
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	475.79%	381.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.88%	74.66%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 693,799	\$ 642,026

#### **Notes to Schedule**

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

\* Due to a change in CalPERS reporting information, only 2017 was available. Additional years will be presented as they become available.

## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

*This page intentionally left blank.*



## **NON-MAJOR GOVERNMENTAL FUNDS**

<b>Fund Type</b>	<b>Description</b>
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, 2018**

---

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
<b>ASSETS</b>			
Cash and investments	\$ 3,180,507	\$ 157,805	\$ 3,338,312
Restricted cash and investments	2,649,138	-	2,649,138
Receivables:			
Intergovernmental	164,077	-	164,077
Loans/Notes receivable	2,358,686	-	2,358,686
Due from other funds	-	-	-
Due from successor agency	179,512		179,512
Inventory	117,081	-	117,081
<b>Total assets</b>	<b>\$ 8,649,001</b>	<b>\$ 157,805</b>	<b>\$ 8,806,806</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 129,217	\$ -	\$ 129,217
Due to other funds	33,865	-	33,865
Deposits Payable	23,408	-	23,408
<b>Total liabilities:</b>	<b>186,490</b>	<b>-</b>	<b>186,490</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	2,358,685		2,358,685
<b>Total deferred inflows of resources</b>	<b>2,358,685</b>	<b>-</b>	<b>2,358,685</b>
<b>Total liabilities and deferred inflows</b>	<b>2,545,175</b>	<b>-</b>	<b>2,545,175</b>
<b>Fund Balances:</b>			
Nonspendable	117,081	-	117,081
Restricted	996,208	-	996,208
Assigned	5,013,469	157,805	5,171,274
Unassigned (deficit)	(22,932)	-	(22,932)
<b>Total fund balances</b>	<b>6,103,826</b>	<b>157,805</b>	<b>6,261,631</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 8,649,001</b>	<b>\$ 157,805</b>	<b>\$ 8,806,806</b>

# City of Arcata, California

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Nonmajor Governmental Funds

For the year ended June 30, 2018

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
<b>REVENUES:</b>			
Taxes and assessments	\$ 35,263	\$ -	\$ 35,263
Licenses and permits	19,440	-	19,440
Fines and forfeitures	79,188	-	79,188
Intergovernmental	4,366,364	-	4,366,364
Use of money and property	216,673	353	217,026
Reimbursements	-	-	-
Other revenues	373,978	-	373,978
<b>Total revenues</b>	<b>5,090,906</b>	<b>353</b>	<b>5,091,259</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety	291,227	-	291,227
Public works	1,019,999	-	1,019,999
Community development	443,450	-	443,450
Parks and recreation	252,510	-	252,510
Capital outlay	3,085,714	-	3,085,714
<b>Total expenditures</b>	<b>5,092,900</b>	<b>-</b>	<b>5,092,900</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,994)</b>	<b>353</b>	<b>(1,641)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from fiduciary activities	696,173	-	696,173
Transfers in	771,157	-	771,157
Transfers out	(163,500)	(6,000)	(169,500)
<b>Total other financing sources (uses)</b>	<b>1,303,830</b>	<b>(6,000)</b>	<b>1,297,830</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>1,301,836</b>	<b>(5,647)</b>	<b>1,296,189</b>
<b>FUND BALANCES:</b>			
Beginning of year	4,801,990	163,452	4,965,442
End of year	<b>\$ 6,103,826</b>	<b>\$ 157,805</b>	<b>\$ 6,261,631</b>

*This page intentionally left blank.*



## NON-MAJOR SPECIAL REVENUE FUNDS

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

(continued)

## **NON-MAJOR SPECIAL REVENUE FUNDS, Continued**

<b>Fund</b>	<b>Description</b>
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.
<b>In Lieu Fee Funds:</b>	
Parkland	Accounts for revenues and expenditures associated with the parkland maintenance.
Parking	Accounts for revenues and expenditures associated with downtown parking programs.
<b>Assessment Districts:</b>	
Curtis Heights	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Janes Creek Meadows	
Windsong	

(concluded)

*This page intentionally left blank.*



**City of Arcata, California**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2018**

---



---

	<u>Forest Management</u>	<u>Traffic Safety</u>	<u>Industrial Park</u>
<b>ASSETS</b>			
Cash and investments	\$ 523,007	\$ 55,499	\$ 333,916
Restricted cash and investments	-	-	-
Receivables:			
Intergovernmental	-	12,002	-
Loans/Notes receivable	-	-	-
Due from other funds	-	-	-
Due from successor agency	-	-	-
Inventory	-	<u>115,426</u>	-
<b>Total assets</b>	<u>\$ 523,007</u>	<u>\$ 182,927</u>	<u>\$ 333,916</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,331	\$ 11,416	\$ 15,849
Due to other funds	-	-	-
Deposits payable	-	-	23,408
<b>Total liabilities:</b>	<u>8,331</u>	<u>11,416</u>	<u>39,257</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	-	-	-
<b>Total deferred inflows of resources:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and deferred inflows</b>	<u>8,331</u>	<u>11,416</u>	<u>39,257</u>
<b>Fund Balances:</b>			
Nonspendable	-	115,426	-
Restricted	-	56,085	-
Committed	-	-	-
Assigned	514,676	-	294,659
Unassigned (deficit)	-	-	-
<b>Total fund balances</b>	<u>514,676</u>	<u>171,511</u>	<u>294,659</u>
<b>Total liabilities deferred inflows and fund balances</b>	<u>\$ 523,007</u>	<u>\$ 182,927</u>	<u>\$ 333,916</u>

Housing Improvement Projects		Public Improvement Program		Gas Tax Funds		Federal Grant Funds		In Lieu Fee Funds		Assessment District Funds		Totals
\$ 384,135	\$ 530,671			419,334	\$ 463,802	\$ 446,783	\$ 23,360			\$ 3,180,507		
-	2,649,138			-	-	-	-			2,649,138		
3,355	-			30,064	117,479	-	1,177			164,077		
2,358,686	-			-	-	-	-			2,358,686		
-	-			-	-	-	-			-		
-	179,512			-	-	-	-			179,512		
-	-			1,655	-	-	-			117,081		
<u>\$ 2,746,176</u>	<u>\$ 3,359,321</u>			<u>\$ 451,053</u>	<u>\$ 581,281</u>	<u>\$ 446,783</u>	<u>\$ 24,537</u>			<u>\$ 8,649,001</u>		
\$ 2,000	\$ 998			84,449	\$ 6,174	\$ -	\$ -			\$ 129,217		
-	11,000			-	22,865	-	-			33,865		
-	-			-	-	-	-			23,408		
<u>2,000</u>	<u>11,998</u>			<u>84,449</u>	<u>29,039</u>	<u>-</u>	<u>-</u>			<u>186,490</u>		
2,358,685	-			-	-	-	-			2,358,685		
2,358,685	-			-	-	-	-			2,358,685		
2,360,685	11,998			84,449	29,039	-	-			2,545,175		
-	-			1,655	-	-	-			117,081		
-	-			364,949	575,174	-	-			996,208		
-	-			-	-	-	-			-		
385,491	3,347,323			-	-	446,783	24,537			5,013,469		
-	-			-	(22,932)	-	-			(22,932)		
<u>385,491</u>	<u>3,347,323</u>			<u>366,604</u>	<u>552,242</u>	<u>446,783</u>	<u>24,537</u>			<u>6,103,826</u>		
<u>\$ 2,746,176</u>	<u>\$ 3,359,321</u>			<u>\$ 451,053</u>	<u>\$ 581,281</u>	<u>\$ 446,783</u>	<u>\$ 24,537</u>			<u>\$ 8,649,001</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, 2018

	Forest Management	Traffic Safety	Industrial Park
<b>REVENUES:</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	79,188	-
Intergovernmental	243,578	-	-
Use of money and property	1,086	132	211,607
Other revenues	362,261	-	-
<b>Total revenues</b>	<b>606,925</b>	<b>79,320</b>	<b>211,607</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	231,585	-
Public works	-	-	-
Community development	-	-	138,918
Parks and recreation	252,510	-	-
Capital outlay	292,239	-	62,964
<b>Total expenditures</b>	<b>544,749</b>	<b>231,585</b>	<b>201,882</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>62,176</b>	<b>(152,265)</b>	<b>9,725</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from fiduciary activities	-	-	-
Transfers in	-	125,484	-
Transfers out	-	-	(1,000)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>125,484</b>	<b>(1,000)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>62,176</b>	<b>(26,781)</b>	<b>8,725</b>
<b>FUND BALANCES (DEFICITS):</b>			
Beginning of year	452,500	198,292	285,934
End of year	<b>\$ 514,676</b>	<b>\$ 171,511</b>	<b>\$ 294,659</b>

Housing Improvement Projects	Public Improvement Program	2107 & 2107.5 Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,263	\$ 35,263
-	-	-	-	19,440	-	19,440
-	-	-	-	-	-	79,188
-	-	547,048	3,575,738	-	-	4,366,364
667	1,318	975	(198)	981	105	216,673
<u>7,502</u>	<u>-</u>	<u>4,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,978</u>
<u>8,169</u>	<u>1,318</u>	<u>552,238</u>	<u>3,575,540</u>	<u>20,421</u>	<u>35,368</u>	<u>5,090,906</u>
-	-	-	59,642	-	-	291,227
-	-	1,019,998	1	-	-	1,019,999
9,185	9,990	-	285,357	-	-	443,450
-	-	-	-	-	-	252,510
-	-	252,719	2,477,792	-	-	3,085,714
<u>9,185</u>	<u>9,990</u>	<u>1,272,717</u>	<u>2,822,792</u>	<u>-</u>	<u>-</u>	<u>5,092,900</u>
<u>(1,016)</u>	<u>(8,672)</u>	<u>(720,479)</u>	<u>752,748</u>	<u>20,421</u>	<u>35,368</u>	<u>(1,994)</u>
-	696,173	-	-	-	-	696,173
-	-	645,673	-	-	-	771,157
-	-	-	(125,000)	(7,500)	(30,000)	(163,500)
-	696,173	645,673	(125,000)	(7,500)	(30,000)	1,303,830
(1,016)	687,501	(74,806)	627,748	12,921	5,368	1,301,836
386,507	2,659,822	441,410	(75,506)	433,862	19,169	4,801,990
<u>\$ 385,491</u>	<u>\$ 3,347,323</u>	<u>\$ 366,604</u>	<u>\$ 552,242</u>	<u>\$ 446,783</u>	<u>\$ 24,537</u>	<u>\$ 6,103,826</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, 2018

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 243,578	\$ (956,422)
Use of money and property	1,500	1,500	1,086	(414)
Other revenues	317,000	319,900	362,261	42,361
<b>Total revenues</b>	<b>1,518,500</b>	<b>1,521,400</b>	<b>606,925</b>	<b>(914,475)</b>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	258,353	258,953	252,510	6,443
Capital outlay	1,214,000	1,216,300	292,239	924,061
<b>Total expenditures</b>	<b>1,472,353</b>	<b>1,475,253</b>	<b>544,749</b>	<b>930,504</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>46,147</b>	<b>46,147</b>	<b>62,176</b>	<b>16,029</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>46,147</b>	<b>46,147</b>	<b>62,176</b>	<b>16,029</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	452,500	452,500	452,500	-
End of year	\$ 498,647	\$ 498,647	\$ 514,676	\$ 16,029

# 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, 2018

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 79,188	\$ (20,812)
Use of money and property	500	500	132	(368)
<b>Total revenues</b>	<b>100,500</b>	<b>100,500</b>	<b>79,320</b>	<b>(21,180)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	255,482	\$ 255,482	231,585	23,897
<b>Total expenditures</b>	<b>255,482</b>	<b>255,482</b>	<b>231,585</b>	<b>23,897</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(154,982)</b>	<b>(154,982)</b>	<b>(152,265)</b>	<b>2,717</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	125,484	125,484	125,484	-
<b>Total other financing sources (uses)</b>	<b>125,484</b>	<b>125,484</b>	<b>125,484</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(29,498)</b>	<b>(29,498)</b>	<b>(26,781)</b>	<b>2,717</b>
<b>FUND BALANCES:</b>				
Beginning of year	198,292	198,292	198,292	-
End of year	\$ 168,794	\$ 168,794	\$ 171,511	\$ 2,717

**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, 2018**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Use of money and property	\$ 217,000	\$ 217,000	\$ 211,607	\$ (5,393)
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>217,000</b>	<b>217,000</b>	<b>211,607</b>	<b>(5,393)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	267,445	267,445	138,918	128,527
Capital outlay	100,000	107,698	62,964	44,734
<b>Total expenditures</b>	<b>367,445</b>	<b>375,143</b>	<b>201,882</b>	<b>173,261</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(150,445)</b>	<b>(158,143)</b>	<b>9,725</b>	<b>167,868</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,000)	(1,000)	1,000	2,000
<b>Total other financing sources (uses)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>1,000</b>	<b>2,000</b>
<b>Net change in fund balances</b>	<b>(151,445)</b>	<b>(159,143)</b>	<b>10,725</b>	<b>169,868</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	285,934	285,934	285,934	-
End of year	\$ 134,489	\$ 126,791	\$ 296,659	\$ 169,868

**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, 2018**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Use of money and property	\$ 50,000	\$ 50,000	\$ 1,318	\$ (48,682)
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>1,318</b>	<b>(48,682)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	257,997	277,189	9,990	267,199
<b>Total expenditures</b>	<b>257,997</b>	<b>277,189</b>	<b>9,990</b>	<b>267,199</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(207,997)</b>	<b>(227,189)</b>	<b>(8,672)</b>	<b>218,517</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	-	-	696,173	696,173
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>696,173</b>	<b>696,173</b>
<b>Net change in fund balances</b>	<b>(207,997)</b>	<b>(227,189)</b>	<b>687,501</b>	<b>914,690</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	2,659,822	2,659,822	2,659,822	-
End of year	\$ 2,451,825	\$ 2,432,633	\$ 3,347,323	\$ 914,690

# 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, 2018

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
<b>REVENUES:</b>					
Intergovernmental	\$ 387,400	\$ 492,176	\$ 547,048	\$ 54,872	
Use of money and property	2,000	2,000	975	(1,025)	
Reimbursements	5,000	5,000	4,215	(785)	
Other revenues	125,565	142,815	-	(142,815)	
<b>Total revenues</b>	<b>519,965</b>	<b>641,991</b>	<b>552,238</b>	<b>(89,753)</b>	
<b>EXPENDITURES:</b>					
Current:					
Public works	1,075,638	1,075,638	1,019,998	55,640	
Capital outlay	175,049	1,011,056	252,719	758,337	
<b>Total expenditures</b>	<b>1,250,687</b>	<b>2,086,694</b>	<b>1,272,717</b>	<b>813,977</b>	
<b>REVENUES OVER (UNDER)</b> <b>EXPENDITURES</b>	<b>(730,722)</b>	<b>(1,444,703)</b>	<b>(720,479)</b>	<b>724,224</b>	
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	645,673	645,673	645,673	-	
Transfers out	-	-	-	-	
<b>Total other financing sources (uses)</b>	<b>645,673</b>	<b>645,673</b>	<b>645,673</b>	<b>-</b>	
<b>Net change in fund balances</b>	<b>(85,049)</b>	<b>(799,030)</b>	<b>(74,806)</b>	<b>724,224</b>	
<b>FUND BALANCES:</b>					
Beginning of year	441,410	441,410	441,410	-	
End of year	\$ 356,361	\$ (357,620)	\$ 366,604	\$ 724,224	

*This page intentionally left blank.*



**City of Arcata, California**  
**Combining Balance Sheet**  
**Federal Grant Special Revenue Funds**  
**June 30, 2018**

---

	HUD Block Grant	ISTEA	FEMA/ OES
<b>ASSETS</b>			
Cash and investments	\$ 6,107	\$ 341,671	\$ -
Receivables:			
Intergovernmental	-	117,479	-
<b>Total assets</b>	<b>\$ 6,107</b>	<b>\$ 459,150</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,174	\$ -	\$ -
Due to other funds	22,865	-	-
<b>Total liabilities</b>	<b>29,039</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted	-	459,150	-
Unassigned (deficit)	(22,932)	-	-
<b>Total fund balances</b>	<b>(22,932)</b>	<b>459,150</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,107</b>	<b>\$ 459,150</b>	<b>\$ -</b>



**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, 2018**

---



---

	HUD Block Grant	ISTEA	FEMA/ OES
<b>REVENUES:</b>			
Intergovernmental	\$ 237,106	\$ 3,199,216	\$ -
Use of money and property	-	43	(374)
<b>Total revenues</b>	<b>237,106</b>	<b>3,199,259</b>	<b>(374)</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	-	-
Public works	-	1	-
Community development	285,357	-	-
Capital outlay	-	2,477,792	-
<b>Total expenditures</b>	<b>285,357</b>	<b>2,477,793</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(48,251)</b>	<b>721,466</b>	<b>(374)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	(125,000)	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(125,000)</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>(48,251)</b>	<b>596,466</b>	<b>(374)</b>
<b>FUND BALANCES (DEFICIT):</b>			
Beginning of year	25,319	(137,316)	374
End of year	<u>\$ (22,932)</u>	<u>\$ 459,150</u>	<u>\$ -</u>

---



---



---

COPS	Totals
\$ 139,416	\$ 3,575,738
<u>133</u>	<u>(198)</u>
<u>139,549</u>	<u>3,575,540</u>
59,642	59,642
-	1
-	285,357
-	<u>2,477,792</u>
<u>59,642</u>	<u>2,822,792</u>
<u>79,907</u>	<u>752,748</u>
-	-
-	(125,000)
-	(125,000)
79,907	627,748
<u>36,117</u>	<u>(75,506)</u>
<u>\$ 116,024</u>	<u>\$ 552,242</u>

**City of Arcata, California**

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

**HUD Block Grant - Federal Grant Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 1,588,494	\$ 237,106	\$ (1,351,388)
<b>Total revenues</b>	<b>-</b>	<b>1,588,494</b>	<b>237,106</b>	<b>(1,351,388)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	21,010	1,276,299	285,357	990,942
<b>Total expenditures</b>	<b>21,010</b>	<b>1,276,299</b>	<b>285,357</b>	<b>990,942</b>
REVENUES OVER (UNDER) EXPENDITURES	(21,010)	312,195	(48,251)	(360,446)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(21,010)	312,195	(48,251)	(360,446)
<b>FUND BALANCES:</b>				
Beginning of year	25,319	25,319	25,319	-
End of year	\$ 4,309	\$ 337,514	\$ (22,932)	\$ (360,446)

**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, 2018**

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
<b>REVENUES:</b>					
Intergovernmental	\$ 100,000	\$ 3,847,690	\$ 3,199,216	\$ (648,474)	
Use of money and property	3,000	3,000	43	(2,957)	
<b>    Total revenues</b>	<b>103,000</b>	<b>3,850,690</b>	<b>3,199,259</b>	<b>(651,431)</b>	
<b>EXPENDITURES:</b>					
Current:					
Public works	-	-	1	(1)	
Capital outlay	-	2,520,673	2,477,792	42,881	
<b>    Total expenditures</b>	<b>-</b>	<b>2,520,673</b>	<b>2,477,793</b>	<b>42,880</b>	
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>103,000</b>	<b>1,330,017</b>	<b>721,466</b>	<b>(608,551)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(183,500)	(183,500)	(125,000)	58,500	
<b>    Total other financing sources (uses)</b>	<b>(183,500)</b>	<b>(183,500)</b>	<b>(125,000)</b>	<b>58,500</b>	
<b>    Net change in fund balances</b>	<b>(80,500)</b>	<b>1,146,517</b>	<b>596,466</b>	<b>(550,051)</b>	
<b>FUND BALANCES:</b>					
Beginning of year	(137,316)	(137,316)	(137,316)	-	
<b>    End of year</b>	<b>\$ (217,816)</b>	<b>\$ 1,009,201</b>	<b>\$ 459,150</b>	<b>\$ (550,051)</b>	

**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, 2018**

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
<b>REVENUES:</b>					
Use of money and property	\$ -	\$ -	\$ (374)	\$ (374)	
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>(374)</b>	
<b>EXPENDITURES:</b>					
Current:					
Community development	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>(374)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>(374)</b>	<b>(374)</b>	
<b>FUND BALANCES:</b>					
Beginning of year	374	374	374	374	-
End of year	\$ 374	\$ 374	\$ -	\$ (374)	

**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, 2018**

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
<b>REVENUES:</b>					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 139,416	\$ 39,416	
Use of money and property	100	100	133	33	
<b>Total revenues</b>	<b>100,100</b>	<b>100,100</b>	<b>139,549</b>		<b>39,449</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	100,000	100,000	59,642	40,358	
<b>Total expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>59,642</b>		<b>40,358</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>100</b>	<b>100</b>	<b>79,907</b>		<b>79,807</b>
<b>Net change in fund balances</b>	<b>100</b>	<b>100</b>	<b>79,907</b>		<b>79,807</b>
<b>FUND BALANCES:</b>					
Beginning of year	36,117	36,117	36,117		-
End of year	\$ 36,217	\$ 36,217	\$ 116,024	\$ 79,807	

*This page intentionally left blank.*



**City of Arcata, California**  
**Combining Balance Sheet**  
**In Lieu Fee Special Revenue Funds**  
**June 30, 2018**

---



---

	Parkland In Lieu	Parking In Lieu	Totals
<b>ASSETS</b>			
Cash and investments	\$ 174,732	\$ 272,051	\$ 446,783
<b>Total assets</b>	<b>\$ 174,732</b>	<b>\$ 272,051</b>	<b>\$ 446,783</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Assigned	174,732	272,051	446,783
<b>Total fund balances</b>	<b>174,732</b>	<b>272,051</b>	<b>446,783</b>
<b>Total liabilities and fund balances</b>	<b>\$ 174,732</b>	<b>\$ 272,051</b>	<b>\$ 446,783</b>

# 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, 2018

	Parkland In Lieu	Parking In Lieu	Totals
<b>REVENUES:</b>			
Licenses and permits	\$ 19,440	\$ -	\$ 19,440
Use of money and property	385	596	981
<b>Total revenues</b>	<b>19,825</b>	<b>596</b>	<b>20,421</b>
<b>EXPENDITURES:</b>			
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>19,825</b>	<b>596</b>	<b>20,421</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(7,500)	-	(7,500)
<b>Total other financing sources and uses</b>	<b>(7,500)</b>	<b>-</b>	<b>(7,500)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>12,325</b>	<b>596</b>	<b>12,921</b>
<b>FUND BALANCES (DEFICIT):</b>			
Beginning of year	162,407	271,455	433,862
End of year	<b>\$ 174,732</b>	<b>\$ 272,051</b>	<b>\$ 446,783</b>

# 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, 2018

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Licenses and permits	\$ 18,000	\$ 18,000	\$ 19,440	\$ 1,440
Use of money and property	1,500	1,500	385	(1,115)
<b>Total revenues</b>	<b>19,500</b>	<b>19,500</b>	<b>19,825</b>	<b>325</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>19,500</b>	<b>19,500</b>	<b>19,825</b>	<b>325</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(15,000)	(15,000)	(7,500)	7,500
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(7,500)</b>	<b>7,500</b>
<b>Net change in fund balances</b>	<b>4,500</b>	<b>4,500</b>	<b>12,325</b>	<b>7,825</b>
<b>FUND BALANCES:</b>				
Beginning of year	162,407	162,407	162,407	-
End of year	\$ 166,907	\$ 166,907	\$ 174,732	\$ 7,825

**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, 2018**

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
<b>REVENUES:</b>					
Use of money and property	\$ 3,000	\$ 3,000	\$ 596	\$ (2,404)	
<b>Total revenues</b>	<b>3,000</b>	<b>3,000</b>	<b>596</b>	<b>(2,404)</b>	
<b>EXPENDITURES:</b>					
Capital outlay	-	-	-	-	
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>REVENUES OVER (UNDER) EXPENDITURES</b>					
	3,000	3,000	596		(2,404)
<b>Net change in fund balances</b>	<b>3,000</b>	<b>3,000</b>	<b>596</b>	<b></b>	<b>(2,404)</b>
<b>FUND BALANCES:</b>					
Beginning of year	271,455	271,455	271,455		-
End of year	\$ 274,455	\$ 274,455	\$ 272,051	\$ (2,404)	

*This page intentionally left blank.*



**City of Arcata, California****Combining Balance Sheet****Assessment District Special Revenue Funds****June 30, 2018**


---

	Curtis Heights	Janes Creek Meadows	Windsong
<b>ASSETS</b>			
Cash and investments	\$ 1,180	\$ 13,226	\$ 4,617
Receivables:			
Intergovernmental	-	15	1,162
<b>Total assets</b>	<b>\$ 1,180</b>	<b>\$ 13,241</b>	<b>\$ 5,779</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Assigned	1,180	13,241	5,779
<b>Total fund balances</b>	<b>1,180</b>	<b>13,241</b>	<b>5,779</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,180</b>	<b>\$ 13,241</b>	<b>\$ 5,779</b>

---



---



---

Mad River Business Park	Totals
4,337	\$ 23,360
-	1,177
<u>\$ 4,337</u>	<u>\$ 24,537</u>

\$ -	\$ -
-	-
<u>4,337</u>	<u>24,537</u>
<u>4,337</u>	<u>24,537</u>
<u>4,337</u>	<u>\$ 24,537</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, 2018**

---

---

	<b>Curtis Heights</b>	<b>Janes Creek Meadows</b>	<b>Windsong</b>
<b>REVENUES:</b>			
Taxes and assessments	\$ -	\$ 16,080	\$ 14,850
Use of money and property	2	58	41
<b>Total revenues</b>	<b>2</b>	<b>16,138</b>	<b>14,891</b>
<b>EXPENDITURES:</b>			
Current:			
Parks and recreation	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2</b>	<b>16,138</b>	<b>14,891</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	-	(15,000)	(15,000)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(15,000)</b>	<b>(15,000)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>2</b>	<b>1,138</b>	<b>(109)</b>
<b>FUND BALANCES (DEFICIT) :</b>			
Beginning of year	1,178	12,103	5,888
End of year	<u>\$ 1,180</u>	<u>\$ 13,241</u>	<u>\$ 5,779</u>

Mad River Business Park		Totals
4,333	\$	35,263
4		105
<u>4,337</u>		<u>35,368</u>
-		-
-		-
-		-
<u>4,337</u>		<u>35,368</u>
-		(30,000)
-		(30,000)
4,337		5,368
-		19,169
<u>\$ 4,337</u>	<u>\$</u>	<u>24,537</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, 2018**

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
<b>REVENUES:</b>					
Use of money and property	\$ 10	\$ 10	\$ 2	\$ (8)	
<b>Total revenues</b>	<b>10</b>	<b>10</b>	<b>2</b>	<b>(8)</b>	
<b>EXPENDITURES:</b>					
Current:					
Parks and recreation	-	-	-	-	
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>REVENUES OVER (UNDER) EXPENDITURES</b>					
	10	10	2	(8)	
<b>Net change in fund balances</b>	<b>10</b>	<b>10</b>	<b>2</b>	<b>(8)</b>	
<b>FUND BALANCES:</b>					
Beginning of year	1,178	1,178	1,178	-	
End of year	\$ 1,188	\$ 1,188	\$ 1,180	\$ (8)	

**City of Arcata, California**

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

**Janes Creek Meadows Assessment District Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 16,080	\$ 80
Use of money and property	100	100	58	(42)
<b>Total revenues</b>	<b>16,100</b>	<b>16,100</b>	<b>16,138</b>	<b>38</b>
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	16,100	16,100	16,138	38
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(15,000)	(15,000)	(15,000)	-
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,100</b>	<b>1,100</b>	<b>1,138</b>	<b>38</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	12,103	12,103	12,103	-
End of year	\$ 13,203	\$ 13,203	\$ 13,241	\$ 38

**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, 2018**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 14,850	\$ (1,150)
Use of money and property	100	100	41	(59)
<b>Total revenues</b>	<b>16,100</b>	<b>16,100</b>	<b>14,891</b>	<b>(1,209)</b>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>16,100</b>	<b>16,100</b>	<b>14,891</b>	<b>(1,209)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in				
Transfers out	(15,000)	(15,000)	(15,000)	-
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,100</b>	<b>1,100</b>	<b>(109)</b>	<b>(1,209)</b>
<b>FUND BALANCES:</b>				
Beginning of year	5,888	5,888	5,888	-
End of year	\$ 6,988	\$ 6,988	\$ 5,779	\$ (1,209)

## INTERNAL SERVICE FUNDS

<b>Fund Type</b>	<b>Description</b>
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, 2018**

	<b>Central Garage Fund</b>	<b>Information Technology Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 1,548,784	\$ 29,904	\$ 1,578,688
Inventory	18,236	-	18,236
<b>Total current assets</b>	<b>1,567,020</b>	<b>29,904</b>	<b>1,596,924</b>
<b>Noncurrent assets:</b>			
Capital assets, net	883,716	67,063	950,779
<b>Total noncurrent assets</b>	<b>883,716</b>	<b>67,063</b>	<b>950,779</b>
<b>Total assets</b>	<b>2,450,736</b>	<b>96,967</b>	<b>2,547,703</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan	87,120	80,292	167,412
<b>Total assets and deferred outflows of resources</b>	<b>2,537,856</b>	<b>177,259</b>	<b>2,715,115</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 29,530	\$ 985	\$ 30,515
Accrued liabilities	10,766	7,784	18,550
Compensated absences - current portion	3,529	1,328	4,857
Due within one year - capital lease payable	-	15,293	15,293
<b>Total current liabilities</b>	<b>43,825</b>	<b>25,390</b>	<b>69,215</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	10,589	3,985	14,574
Due after one year - capital lease payable	-	-	-
Net pension liability	294,584	239,122	533,706
<b>Total liabilities</b>	<b>348,998</b>	<b>268,497</b>	<b>617,495</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	46,524	27,988	74,512
<b>Total deferred inflows of resources</b>	<b>46,524</b>	<b>27,988</b>	<b>74,512</b>
<b>NET POSITION</b>			
Net investment in capital assets	883,716	67,063	950,779
Unrestricted	1,258,618	(186,289)	1,072,329
<b>Total net position</b>	<b>2,142,334</b>	<b>(119,226)</b>	<b>2,023,108</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 2,537,856</b>	<b>\$ 177,259</b>	<b>\$ 2,715,115</b>

**City of Arcata, California**

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

**Internal Service Funds**

**For the year ended June 30, 2018**

	<b>Central Garage Fund</b>	<b>Information Technology Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES:</b>			
Interdepartmental charges	\$ 1,185,673	\$ 241,649	\$ 1,427,322
Other	1,500	5,139	6,639
<b>Total operating revenues</b>	<b>1,187,173</b>	<b>246,788</b>	<b>1,433,961</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	235,947	189,006	424,953
Contractual services	14,714	20,182	34,896
Materials and supplies	281,019	16,435	297,454
Repairs and maintenance	57,726	11,534	69,260
Insurance	140,565	-	140,565
Allocated overhead	35,762	9,620	45,382
Depreciation	281,184	14,698	295,882
<b>Total operating expenses</b>	<b>1,046,917</b>	<b>261,475</b>	<b>1,308,392</b>
<b>OPERATING INCOME (LOSS)</b>	<b>140,256</b>	<b>(14,687)</b>	<b>125,569</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Proceeds from the sale of capital assets	23,487	-	23,487
Interest revenue	3,120	-	3,120
Interest expense	-	17	17
<b>Total non-operating revenues (expenses)</b>	<b>26,607</b>	<b>17</b>	<b>26,624</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>166,863</b>	<b>(14,670)</b>	<b>152,193</b>
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>166,863</b>	<b>(14,670)</b>	<b>152,193</b>
<b>NET POSITION (DEFICIT):</b>			
Beginning of year	1,975,471	(104,556)	1,870,915
End of year	<b>\$ 2,142,334</b>	<b>\$ (119,226)</b>	<b>\$ 2,023,108</b>

**City of Arcata, California**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2018**

	<b>Central Garage</b>	<b>Information</b>	
	<b>Fund</b>	<b>Technology</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from interfund services provided	\$ 1,187,173	\$ 246,788	\$ 1,433,961
Cash paid to suppliers for goods and services	(521,726)	(56,855)	(578,581)
Cash paid to employees for services	(222,328)	(177,977)	(400,305)
<b>Net cash provided (used) by operating activities</b>	<b>443,119</b>	<b>11,956</b>	<b>455,075</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers received	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(344,900)	1	(344,899)
Principal paid on long-term debt	-	(14,635)	(14,635)
Interest paid on long-term debt	-	17	17
<b>Net cash (used) by capital and related financing activities</b>	<b>(321,413)</b>	<b>(14,617)</b>	<b>(336,030)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	3,120	-	3,120
<b>Net cash provided by investing activities</b>	<b>3,120</b>	<b>-</b>	<b>3,120</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>124,826</b>	<b>(2,661)</b>	<b>122,165</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	1,423,958	32,565	1,456,523
End of year	<b>\$ 1,548,784</b>	<b>\$ 29,904</b>	<b>\$ 1,578,688</b>
<b>Reconciliation of income from operations to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 140,256	\$ (14,687)	\$ 125,569
Adjustments to reconcile operating income to net cash provided by operating activities:	9,501	10,565	20,066
Depreciation	281,184	14,698	295,882
Pension expense	-	-	-
(Increase) decrease in current assets:			
Inventory	(5,809)	-	(5,809)
Increase (decrease) in liabilities:			
Accounts payable	13,869	916	14,785
Accrued liabilities	842	309	1,151
Compensated absences	3,276	155	3,431
<b>Net cash provided by operating activities</b>	<b>\$ 443,119</b>	<b>\$ 11,956</b>	<b>\$ 455,075</b>

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