

CITY OF EUREKA
FINANCIAL STATEMENTS
JUNE 30, 2016

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2016**

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FINANCIAL SECTION



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Independent Auditor's Report

Honorable Mayor and City Council
City of Eureka
Eureka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's 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 of 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, and the aggregate remaining fund information of the City of Eureka, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 85 through 87, the schedule of funding progress – local employees' retirement system on pages 88 and 89, Agent-Multiple Employer Defined Pension Plan: the schedule of changes in the net pension liability on page 90 and the schedule of pension contributions on page 91, and Cost Sharing Defined Pension Plan: the schedule of plan's proportionate share of net pension liability on page 92 and the schedule of pension contributions on page 93, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, the combining internal service funds financial statements, the agency fund statement, the combining private purpose trust funds financial statements, and statistical section are presented for the purpose of additional analysis and are not required parts of the financial statements.

The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, the combining internal service funds financial statements, the agency fund statement, and the combining private purpose trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2017

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CITY OF EUREKA
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,678,950	\$ 11,054,984	\$ 17,733,934
Cash and investments with fiscal agents	43,690	7,084,463	7,128,153
Accounts receivable	6,875,866	3,332,833	10,208,699
Interest receivable	2,122,007	60,011	2,182,018
Prepaid items	22,457		22,457
Inventory		9,000	9,000
Notes and loans receivable	13,667,706		13,667,706
Internal balances	(2,536,251)	2,536,251	
Land held for resale	524,368		524,368
Due from RDA Successor Agency	656,101	1,649,603	2,305,704
Net pension asset	2,264,710		2,264,710
Capital assets, not being depreciated	30,000,765	49,718,029	79,718,794
Capital assets, net of accumulated depreciation	43,200,683	50,113,447	93,314,130
Total Assets	103,521,052	125,558,621	229,079,673
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,696,495	820,701	4,517,196
Deferred loss on refunding		321,062	321,062
Total Deferred Outflows of Resources	3,696,495	1,141,763	4,838,258
Total Assets and Deferred Outflows of Resources	107,217,547	126,700,384	233,917,931
LIABILITIES			
Accounts payable	1,911,216	895,113	2,806,329
Payroll and related liabilities	311,947	110,528	422,475
Deposits payable	74,878	357,613	432,491
Accrued interest payable	12,985	499,568	512,553
Claims and judgments payable	254,061		254,061
Unearned revenue		576	576
Noncurrent liabilities:			
Due within one year	1,371,451	1,761,436	3,132,887
Due in more than one year	31,406,024	47,815,450	79,221,474
Total Liabilities	35,342,562	51,440,284	86,782,846
DEFERRED INFLOWS OF RESOURCES			
Pensions	2,677,760	835,958	3,513,718
Total Liabilities and Deferred Inflows of Resources	38,020,322	52,276,242	90,296,564
NET POSITION			
Net investment in capital assets	72,708,479	69,318,162	142,026,641
Restricted for:			
Public safety	1,074,991		1,074,991
Streets and roads	32,416		32,416
Public health	273,477		273,477
Housing	17,125,287		17,125,287
Unrestricted	(22,017,425)	5,105,980	(16,911,445)
Total Net Position	\$ 69,197,225	\$ 74,424,142	\$ 143,621,367

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,789,647	\$ 3,666,629	\$ 197,457	\$ -
Community development	2,918,394	179,765	4,005,464	
Public safety	6,372,900	673,700	416,893	
Public works	4,185,222	64,843	930,308	221,420
Parks and recreation	3,793,746	856,747		
Interest on long-term debt	30,176			
Total Governmental	<u>21,090,085</u>	<u>5,441,684</u>	<u>5,550,122</u>	<u>221,420</u>
Business-type activities:				
Water	7,067,406	7,688,777		
Wastewater	7,864,985	7,163,817		
Harbor	1,177,738	879,780		
Building	701,207	873,775		
Transit	2,080,888	1,748,162		
Golf	26,750	39,792		
Total Business-type Activities	<u>18,918,974</u>	<u>18,394,103</u>		
Total	<u>\$ 40,009,059</u>	<u>\$ 23,835,787</u>	<u>\$ 5,550,122</u>	<u>\$ 221,420</u>

General Revenues:

- Property taxes
- Sales taxes
- Franchise fees
- Motor vehicle in-lieu, unrestricted
- Transient occupancy taxes
- Business license tax
- Investment earnings
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position - beginning of fiscal year

Prior period adjustments

Net Position - beginning of fiscal year, restated

Net Position - end of fiscal year

The notes to the basic financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 74,439	\$ -	\$ 74,439
1,266,835		1,266,835
(5,282,307)		(5,282,307)
(2,968,651)		(2,968,651)
(2,936,999)		(2,936,999)
(30,176)		(30,176)
<u>(9,876,859)</u>		<u>(9,876,859)</u>
	621,371	621,371
	(701,168)	(701,168)
	(297,958)	(297,958)
	172,568	172,568
	(332,726)	(332,726)
	13,042	13,042
	<u>(524,871)</u>	<u>(524,871)</u>
<u>(9,876,859)</u>	<u>(524,871)</u>	<u>(10,401,730)</u>
4,161,361		4,161,361
17,099,973		17,099,973
1,186,077		1,186,077
10,971		10,971
2,871,396		2,871,396
252,104		252,104
22,783	20,629	43,412
408,721		408,721
<u>26,013,386</u>	<u>20,629</u>	<u>26,034,015</u>
16,136,527	(504,242)	15,632,285
53,060,698	75,060,221	128,120,919
	(131,837)	(131,837)
<u>53,060,698</u>	<u>74,928,384</u>	<u>127,989,082</u>
<u>\$ 69,197,225</u>	<u>\$ 74,424,142</u>	<u>\$ 143,621,367</u>

**CITY OF EUREKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016**

	General	Successor Housing Authority	Housing
ASSETS			
Cash and investments	\$ -	\$ 813,110	\$ 1,501,996
Cash and investments with fiscal agents	43,690		
Accounts receivable	6,511,556		
Prepaid items	2,457		
Notes and loans receivable		7,474,318	6,193,388
Advances to RDA Successor Agency		656,101	
Land held for resale		524,368	
Total Assets	<u>\$ 6,557,703</u>	<u>\$ 9,467,897</u>	<u>\$ 7,695,384</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,370,403	\$ 4,928	\$ 29,811
Due to other funds	436,503		
Deposits payable	74,788		90
Payroll and related liabilities	275,973	3,165	
Total Liabilities	<u>2,157,667</u>	<u>8,093</u>	<u>29,901</u>
Deferred Inflows of Resources:			
Unavailable revenues	451,940	7,474,318	6,193,388
Fund Balances:			
Nonspendable:			
Prepaid expenditures	2,457		
Restricted	43,690	1,985,486	1,472,095
Unassigned	3,901,949		
Total Fund Balances	<u>3,948,096</u>	<u>1,985,486</u>	<u>1,472,095</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,557,703</u>	<u>\$ 9,467,897</u>	<u>\$ 7,695,384</u>

The notes to the basic financial statements are an integral part of this statement

Other Governmental Funds	Total Governmental Funds
\$ 1,252,165	\$ 3,567,271
	43,690
354,350	6,865,906
	2,457
	13,667,706
	656,101
	524,368
<u>\$ 1,606,515</u>	<u>\$ 25,327,499</u>

\$ 188,291	\$ 1,593,433
1,486,810	1,923,313
	74,878
10,617	289,755
<u>1,685,718</u>	<u>3,881,379</u>
	<u>14,119,646</u>

	2,457
1,380,884	4,882,155
<u>(1,460,087)</u>	<u>2,441,862</u>
<u>(79,203)</u>	<u>7,326,474</u>
<u>\$ 1,606,515</u>	<u>\$ 25,327,499</u>

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**CITY OF EUREKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016**

Fund balances of governmental funds \$ 7,326,474

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$ 161,947,438	
Less: accumulated depreciation	<u>(88,745,990)</u>	73,201,448

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (12,985)

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

Compensated absences	(1,201,283)	
Net pension liability	(31,039,533)	
Capital lease payable	<u>(536,659)</u>	(32,777,475)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (net capital assets, capital lease, net pensions liability and compensated absences payable, reported above in the amount of \$1,356,161 (\$58,745), (\$2,201,726), and (\$47,213), respectively). 1,934,665

In governmental funds, other long-term assets include notes and loan receivable, and accounts receivable which are not available to pay for current-period expenditures, and therefore, are offset by unavailable revenues. 14,119,646

Net pension asset is not a current financial resource. Therefore, it is not reported in the Governmental Funds Balance Sheet. This amount is to be amortized in accordance with GASB No.27. 2,264,710

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred inflows of resources relating to pensions	\$ (2,677,760)	
Deferred outflows of resources relating to pensions	<u>3,696,495</u>	
Net		1,018,735

In governmental funds, other long-term assets are not available to pay for current-period expenditures:

Interest receivable on loans receivable		<u>2,122,007</u>
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Net position of governmental activities \$ 69,197,225

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General	Successor Housing Authority	Housing
REVENUES			
Taxes	\$ 22,243,009	\$ -	\$ -
Licenses, permits, and fees	1,282,621		
Fines and penalties	224,087		
Investment income	22,783		
Intergovernmental	2,479,323	708,754	3,186,274
Charges for services	4,777,660		
Other revenues	156,835	280,634	276,461
Total Revenues	31,186,318	989,388	3,462,735
EXPENDITURES			
Current:			
General government	3,823,760		
Public safety	18,426,013		
Public works	1,630,886		
Community development	1,053,715	183,494	3,445,030
Culture and recreation	3,459,113		
Capital outlay	640,550		
Debt service:			
Principal payments	252,520		
Interest and fiscal charges	28,586		
Total Expenditures	29,315,143	183,494	3,445,030
Excess of Revenues Over (Under) Expenditures	1,871,175	805,894	17,705
Fund Balances, beginning of fiscal year	2,076,921	1,179,592	1,454,390
Fund Balances, end of fiscal year	<u>\$ 3,948,096</u>	<u>\$ 1,985,486</u>	<u>\$ 1,472,095</u>

The notes to the basic financial statements are an integral part of this statement

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 22,243,009
54,999	1,337,620
176,285	400,372
	22,783
1,567,734	7,942,085
14,614	4,792,274
37,221	751,151
<u>1,850,853</u>	<u>37,489,294</u>
	3,823,760
150,204	18,576,217
1,354,700	2,985,586
	4,682,239
	3,459,113
561,274	1,201,824
	252,520
	<u>28,586</u>
<u>2,066,178</u>	<u>35,009,845</u>
(215,325)	2,479,449
136,122	4,847,025
<u>\$ (79,203)</u>	<u>\$ 7,326,474</u>

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**CITY OF EUREKA
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES **\$ 2,479,449**

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

(Does not include Internal Service Funds)

Capital outlay expenditures are, therefore, added back to fund balances	\$ 881,283	
Depreciation expense not reported in governmental funds	<u>(2,364,890)</u>	(1,483,607)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Original issue premiums and discounts are reported as other services or uses in the governmental funds, but in the Statement of Net Position, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal		252,520
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Notes receivable issued are expenditures, and principal payments on notes receivable are a revenue in the governmental funds; however, in the government-wide statements, these transactions increase or decrease the notes receivable and accrue interest on notes receivable.

Interest receivable	155,081	
Notes receivable	<u>1,667,363</u>	1,822,444

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Interest payable	1,678	
Compensated absences	<u>(6,651)</u>	(4,973)

Revenues that were not collected within 60 days of the fiscal year end and did not meet the revenue recognition criteria in the Fund Financial Statements are recognized as revenue in the Government-Wide Financial Statements.

(64,517)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

Pension costs		12,148,902
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Changes in net pension asset did not require the use of current financial resources or meet revenue recognition criteria in the Fund Financial Statements and therefore, are not reported in governmental funds.

271,112

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.

715,197

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 16,136,527

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2016**

ASSETS	Enterprise Funds		
	Water	Wastewater	Harbor
Current Assets:			
Cash and investments	\$ 2,634,119	\$ 8,290,604	\$ -
Cash and investments with fiscal agents	6,044,162	1,040,301	
Accounts receivable - net	777,123	671,383	9,463
Interest receivable	7,310	52,701	
Prepaid items			
Inventory			
Due from other funds	4,785,781		
Total current assets	14,248,495	10,054,989	9,463
Noncurrent Assets:			
Advances to RDA Successor Agency	131,369	1,518,234	
Total noncurrent assets	131,369	1,518,234	
Capital Assets:			
Nondepreciable			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	3,072,255	34,923,671	
Total nondepreciable capital assets	4,124,370	39,996,813	5,155,468
Depreciable			
Infrastructure	14,817,807	5,383,291	
Buildings	723,908	6,264,431	4,646,614
Improvements	5,004,226	19,995,868	10,588,464
Equipment	16,075,408	32,671,023	1,116,705
Total depreciable capital assets	36,621,349	64,314,613	16,351,783
Less accumulated depreciation	(15,063,556)	(44,079,749)	(8,765,778)
Net depreciable capital assets	21,557,793	20,234,864	7,586,005
Total capital assets, net	25,682,163	60,231,677	12,741,473
Total capital and noncurrent assets	25,813,532	61,749,911	12,741,473
Total Assets	40,062,027	71,804,900	12,750,936
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	270,211	392,097	59,099
Deferred loss on refunding	321,062		
Total deferred outflows of resources	591,273	392,097	59,099
Total Assets and Deferred Outflows of Resources	40,653,300	72,196,997	12,810,035

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ -	\$ -	\$ 130,261	\$ 11,054,984	\$ 3,111,679
			7,084,463	
1,450,491	424,373		3,332,833	9,960
			60,011	
	9,000		9,000	20,000
			4,785,781	
1,450,491	433,373	130,261	26,327,072	3,141,639
			1,649,603	
			1,649,603	
		418,075	11,698,800	
		23,303	38,019,229	
		441,378	49,718,029	
			20,201,098	
		158,411	11,793,364	429,246
		261,518	35,850,076	31,236
116,950	3,155,460		53,135,546	8,851,638
116,950	3,155,460	419,929	120,980,084	9,312,120
(96,039)	(2,605,485)	(256,030)	(70,866,637)	(7,955,959)
20,911	549,975	163,899	50,113,447	1,356,161
20,911	549,975	605,277	99,831,476	1,356,161
20,911	549,975	605,277	101,481,079	1,356,161
1,471,402	983,348	735,538	127,808,151	4,497,800
98,102		1,192	820,701	160,412
			321,062	
98,102		1,192	1,141,763	160,412
1,569,504	983,348	736,730	128,949,914	4,658,212

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2016
 (Continued)**

LIABILITIES	Enterprise Funds		
	Water	Wastewater	Harbor
Current Liabilities:			
Accounts payable	\$ 359,921	\$ 442,913	\$ 28,948
Payroll and related liabilities	34,400	56,599	8,611
Deposits payable	324,721		32,892
Due to other funds			465,873
Unearned revenue	576		
Accrued interest payable	214,800	215,156	69,612
Claims and judgments payable			
Loan payable, current portion			98,342
Bonds payable, current portion	595,000	445,000	
Capital lease payable, current portion	340,592		
Compensated absences, current portion	82,238	132,738	20,252
Unamortized premium, current portion	16,704	5,344	
Total current liabilities	1,968,952	1,297,750	724,530
Noncurrent Liabilities:			
Loan payable			1,589,210
Bonds payable	17,180,000	17,230,000	
Net pension liability	3,764,284	5,433,297	813,329
Unamortized premium	233,720	184,927	
Total noncurrent liabilities	21,178,004	22,848,224	2,402,539
Total Liabilities	23,146,956	24,145,974	3,127,069
DEFERRED INFLOWS OF RESOURCES			
Pensions	285,973	388,361	53,387
Total deferred inflows of resources	285,973	388,361	53,387
Total Liabilities and Deferred Inflows of Resources	23,432,929	24,534,335	3,180,456
NET POSITION			
Net investment in capital assets	13,681,371	43,406,707	11,053,921
Unrestricted	3,539,000	4,255,955	(1,424,342)
Total Net Position (Deficit)	\$ 17,220,371	\$ 47,662,662	\$ 9,629,579

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 23,654	\$ 24,792	\$ 14,885	\$ 895,113	\$ 317,783
10,811		107	110,528	22,192
			357,613	
1,263,758	519,899		2,249,530	612,938
			576	
			499,568	254,061
			98,342	
			1,040,000	
			340,592	58,745
25,226			260,454	47,213
			22,048	
<u>1,323,449</u>	<u>544,691</u>	<u>14,992</u>	<u>5,874,364</u>	<u>1,312,932</u>
			1,589,210	
			34,410,000	
1,370,548		16,135	11,397,593	2,201,726
			418,647	
<u>1,370,548</u>		<u>16,135</u>	<u>47,815,450</u>	<u>2,201,726</u>
<u>2,693,997</u>	<u>544,691</u>	<u>31,127</u>	<u>53,689,814</u>	<u>3,514,658</u>
107,405		832	835,958	139,503
<u>107,405</u>		<u>832</u>	<u>835,958</u>	<u>139,503</u>
<u>2,801,402</u>	<u>544,691</u>	<u>31,959</u>	<u>54,525,772</u>	<u>3,654,161</u>
20,911	549,975	605,277	69,318,162	1,356,161
(1,252,809)	(111,318)	99,494	5,105,980	(352,110)
<u>\$ (1,231,898)</u>	<u>\$ 438,657</u>	<u>\$ 704,771</u>	<u>\$ 74,424,142</u>	<u>\$ 1,004,051</u>

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 7,679,048	\$ 6,673,482	\$ 655,498
Other operating revenues	9,729	490,335	
Intergovernmental			224,282
Total Operating Revenues	<u>7,688,777</u>	<u>7,163,817</u>	<u>879,780</u>
Operating Expenses:			
Purchase of water	2,573,596		
Maintenance and operation	2,019,162	5,328,145	719,563
Administration	657,268	459,433	36,821
Insurance costs and claims	107,655	117,702	14,264
Depreciation	836,403	1,100,299	330,797
Total Operating Expenses	<u>6,194,084</u>	<u>7,005,579</u>	<u>1,101,445</u>
Operating Income (Loss)	<u>1,494,693</u>	<u>158,238</u>	<u>(221,665)</u>
Non-Operating Revenues (Expenses):			
Gain (loss) on sales of capital assets			
Investment income	10,499	10,130	
Interest expense	(873,322)	(859,406)	(76,293)
Total Non-Operating Revenue (Expense)	<u>(862,823)</u>	<u>(849,276)</u>	<u>(76,293)</u>
Change in Net Position	<u>631,870</u>	<u>(691,038)</u>	<u>(297,958)</u>
Net Position (Deficit), beginning of fiscal year	16,588,501	48,353,700	9,927,537
Prior Period Adjustments			
Net Position (Deficit), beginning of fiscal year, restated	<u>16,588,501</u>	<u>48,353,700</u>	<u>9,927,537</u>
Net Position (Deficit), end of fiscal year	<u>\$ 17,220,371</u>	<u>\$ 47,662,662</u>	<u>\$ 9,629,579</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities- Internal Service Funds
Building	Transit	Golf	Totals	
\$ 825,849	\$ 353,290	\$ -	\$ 16,187,167	\$ 5,225,648
47,926		39,792	587,782	18,928
	1,394,872		1,619,154	
873,775	1,748,162	39,792	18,394,103	5,244,576
			2,573,596	
626,092	1,770,755	20,274	10,483,991	2,342,396
44,670		720	1,198,912	
18,171	49,000	177	306,969	1,685,770
12,274	261,133	5,579	2,546,485	493,510
701,207	2,080,888	26,750	17,109,953	4,521,676
172,568	(332,726)	13,042	1,284,150	722,900
				(4,435)
			20,629	
			(1,809,021)	(3,268)
			(1,788,392)	(7,703)
172,568	(332,726)	13,042	(504,242)	715,197
(1,404,466)	903,220	691,729	75,060,221	288,854
	(131,837)		(131,837)	
(1,404,466)	771,383	691,729	74,928,384	288,854
\$ (1,231,898)	\$ 438,657	\$ 704,771	\$ 74,424,142	\$ 1,004,051

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		
	Water	Wastewater	Harbor
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 7,882,174	\$ 8,446,799	\$ 898,856
Payments to suppliers and users	(3,896,736)	(4,041,004)	(612,815)
Payments to employees	(1,626,302)	(2,369,736)	(348,843)
Net Cash Provided (Used) by Operating Activities	<u>2,359,136</u>	<u>2,036,059</u>	<u>(62,802)</u>
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds	<u>903,637</u>	<u>287,089</u>	<u>69,481</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>903,637</u>	<u>287,089</u>	<u>69,481</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets	(335,281)	(2,049,612)	
Interest paid	(868,057)	(868,875)	(6,679)
Principal payments - long-term debt	(896,957)	(430,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,100,295)</u>	<u>(3,348,487)</u>	<u>(6,679)</u>
Cash Flows from Investing Activities:			
Interest received	<u>3,189</u>	<u>2,820</u>	
Net Cash Provided (Used) by Investing Activities	<u>3,189</u>	<u>2,820</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	1,165,667	(1,022,519)	
Cash and Cash Equivalents, July 1, 2015	<u>7,512,614</u>	<u>10,353,424</u>	
Cash and Cash Equivalents, June 30, 2016	<u>\$ 8,678,281</u>	<u>\$ 9,330,905</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 2,634,119	\$ 8,290,604	\$ -
Cash and investments with fiscal agents	<u>6,044,162</u>	<u>1,040,301</u>	
Total Cash and Cash Equivalents	<u>\$ 8,678,281</u>	<u>\$ 9,330,905</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 689,889	\$ 2,543,870	\$ 46,699	\$ 20,508,287	\$ 5,243,807
(174,342)	(1,964,465)	(19,494)	(10,708,856)	(3,267,571)
(514,822)		(6,166)	(4,865,869)	(890,008)
725	579,405	21,039	4,933,562	1,086,228
(725)	(579,405)		680,077	(324,888)
(725)	(579,405)		680,077	(324,888)
		(118,834)	(2,503,727)	(289,857)
			(1,743,611)	(3,268)
			(1,326,957)	(57,133)
		(118,834)	(5,574,295)	(354,693)
			6,009	
			6,009	
		(97,795)	45,353	406,647
		228,056	18,094,094	2,705,032
\$ -	\$ -	\$ 130,261	\$ 18,139,447	\$ 3,111,679
\$ -	\$ -	\$ 130,261	\$ 11,054,984	\$ 3,111,679
			7,084,463	
\$ -	\$ -	\$ 130,261	\$ 18,139,447	\$ 3,111,679

(Continued)

CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

	Enterprise Funds		
	Water	Wastewater	Harbor
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,494,693	\$ 158,238	\$ (221,665)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	836,403	1,100,299	330,797
(Increase) Decrease in Operating Assets:			
Accounts receivable	110,531	1,282,982	17,500
Prepaid expenses			6,681
Inventory			
Deferred outflows of resources - pensions	(50,217)	(76,046)	(12,077)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(159,272)	(496,985)	(194,568)
Deposits payable	82,923		1,576
Unearned revenue	(57)		
Payroll and related liabilities	2,574	917	271
Deferred inflows of resources - pensions	(289,215)	(437,974)	(69,555)
Net pension liability	326,773	494,850	78,588
Claims and judgments payable			
Compensated absences	4,000	9,778	(350)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,359,136</u>	<u>\$ 2,036,059</u>	<u>\$ (62,802)</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 172,568	\$ (332,726)	\$ 13,042	\$ 1,284,150	\$ 722,900
12,274	261,133	5,579	2,546,485	493,510
(183,886)	795,708		2,022,835	(769)
	(6,480)		6,681	
(17,804)		(273)	(6,480)	(33,426)
9,187	(138,230)	2,690	(977,178)	(186,669)
			84,499	
			(57)	
2,007		(14)	5,755	1,825
(102,539)		(1,571)	(900,854)	(192,510)
115,854		1,775	1,017,840	217,510
				63,904
(6,936)		(189)	6,303	(47)
<u>\$ 725</u>	<u>\$ 579,405</u>	<u>\$ 21,039</u>	<u>\$ 4,933,562</u>	<u>\$ 1,086,228</u>

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016**

	Agency Fund	Trust Funds	
		Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
	Trust Holding		
ASSETS			
Cash and investments	\$ 163,860	\$ 14,790	\$ 1,640,011
Cash and investments with Fiscal Agent, Restricted			1,073,206
Other receivable			16,600
Due from other funds			238,821
Land held for resale			4,488,678
Capital assets, not being depreciated			53,702
Capital assets, net of accumulated depreciation			1,896,058
Total Assets	\$ 163,860	14,790	9,407,076
DEFERRED INFLOWS OF RESOURCES			
Deferred loss on refunding			20,269
LIABILITIES			
Accounts payable	\$ 845	2,209	7,889
Payroll payable		14,283	1,160
Interest payable			185,518
Due to other funds			238,821
Deposits payable	163,015		
Unearned revenue			1,769,233
Noncurrent Liabilities:			
Due within one year			1,483,110
Due in more than one year			21,467,659
Total Liabilities	\$ 163,860	16,492	25,153,390
Net Position (Deficit)			
Held in trust for pension benefits			
Unrestricted		(1,702)	(15,726,045)
Total Net Position (Deficit)		\$ (1,702)	\$ (15,726,045)

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016**

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 397,095	\$ -
Taxes		3,840,400
Investment income		3,259
Total Additions	<u>397,095</u>	<u>3,843,659</u>
DEDUCTIONS		
Benefits	403,568	
Administration		163,610
Depreciation		57,713
Community development		1,077,291
Public safety		84,242
Interest expense		1,207,017
Pass-through payments		13,665
Total Deductions	<u>403,568</u>	<u>2,603,538</u>
Change in net position	(6,473)	1,240,121
Net Position (Deficit) - beginning of fiscal year	<u>4,771</u>	<u>(16,966,166)</u>
Net Position (Deficit) - end of fiscal year	<u>\$ (1,702)</u>	<u>\$ (15,726,045)</u>

The notes to the basic financial statements are an integral part of this statement

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Eureka have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Eureka was incorporated as a town on April 18, 1856, under a special act of the legislature, reincorporated as a city on February 19, 1874, and incorporated under a Freeholder's Charter on February 18, 1895. The City operates under a Council-Manager form of government and is governed by an elected mayor and five elected city council members. The City provides the following services as authorized by its charter: public safety (police and fire), streets and highways, public improvements, land use, building and housing standards, culture-recreation programs, parks and recreation areas, utilities, public transit, and administrative and fiscal services.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present financial information for the City of Eureka (the primary government) and its component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. The City has no discrete component units. Each blended component unit has a fiscal year end of June 30. The blended component units are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

Blended Component Units

The following blended component units are included in the reporting entity as though they were part of the primary government. Separate financial statements for the blended component units are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

EUREKA PUBLIC FINANCING AUTHORITY

The City created the Eureka Public Financing Authority to sell bonds and lend the proceeds of bond issues to Eureka Redevelopment Agency. The City Council also functions as the Board of the Eureka Public Financing Authority. The City performs all administrative, budgeting, and accounting functions of the Authority. The Authority is no longer in operation as of February 2012. All the redevelopment agency debts were transferred to the Eureka successor agency.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures

HUMBOLDT/DEL NORTE HAZARDOUS MATERIAL RESPONSE AUTHORITY

The Hazardous Materials Response Authority was created as a separate legal entity by a joint powers agreement between the Counties of Humboldt and Del Norte, and the Cities of Eureka, Crescent City, Arcata, Blue Lake, Fortuna, Ferndale, Rio Dell, and Trinidad. The purpose of this joint venture is to pool resources of the participants to provide a united, coordinated, orderly, positive, and more effective means for aiding and assisting in the formulation, administration, implementation, and maintenance of an area-wide hazardous materials response team.

The Authority is governed by a board of directors composed of one member and an alternate appointed by each participant. The Authority adopts its own budget and has the power to incur debts, liabilities, or obligations. The City of Eureka is responsible for directing the operations of the Hazardous Materials Response Teams and for the accounting of the Authority. The Authority is recorded as a private purpose trust fund of the City. The Authority, in turn, reimburses the City for the costs of operation and accounting services. Upon commencement of the Authority, the participants agreed to contribute a proportionate share of the costs of operation based on population. The participants do not have an on-going equity interest in the Authority. However, the participants do share the operation costs of the Authority. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received by the Authority; property shall be divided in a manner agreed upon by the participants. Complete financial statements for the Hazardous Materials Response Authority are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

HUMBOLDT TRANSIT AUTHORITY

The Transit Authority was created as a separate legal entity by a joint powers agreement between the County of Humboldt and the Cities of Fortuna, Eureka, Arcata, Trinidad, and Rio Dell. The governing board consists of a city council member and an alternate member appointed from each participating city, as well as two board members and up to two alternate members appointed by the Humboldt County Board of Supervisors.

The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations. On commencement of operations of the Authority, the County contributed 50 percent of the initial equity, and the participating cities jointly contributed 50 percent based upon population data. The participants do not have an on-going equity interest in the Authority. However, the participants do share operating costs of the Authority, and the current share of the City of Eureka is 25.6 percent. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received; and property shall be divided in a manner agreed upon by the parties. Complete financial statements for Humboldt Transit Authority may be obtained at the offices of the Authority at 133 V Street, Eureka, California, 95501.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

HUMBOLDT WASTE MANAGEMENT AUTHORITY

The Humboldt Waste Management Authority was created as a separate entity by a joint powers agreement between the County of Humboldt and the Cities of Arcata, Eureka, Blue Lake, Ferndale, and Rio Dell. The governing board consists of one director and one alternate appointed by each member of the Authority. The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations.

The Authority was formed in October 1999 for the purpose of providing economical coordination of solid waste management services and efficiently and fairly assuring against potential adverse effects of past solid waste management services within the service area. It is intended that the Authority shall develop and fund programs for the (A) Siting, permitting, developing, constructing, maintaining, operating, or contracting for the construction and/or from operation of disposal sites, transfer facilities and equipment, materials recovery facilities, waste-to-energy facilities, and/or solid waste landfills; (B) preparing and implementing an Integrated Waste Management Plan and other planning documents; (C) disposal of waste generated in the incorporated and unincorporated area of the County and the granting of franchises for waste hauling; (D) planning, implementing, and supervising programs which serve all or most jurisdictions, including facilities, special wastes, and recycling market development. The general purpose also includes establishment of pooled insurance and other financial mechanisms to provide for the safe closure and long-term post-closure maintenance of the Cummings Road Sanitary Landfill (when closed). This may include ownership and/or management of the landfill during the final stages of the landfill's active life, during closure, and thereafter. Upon dissolution, the remaining assets of the Authority, after payment of or adequate provision for all debts, liabilities, and obligations of the Authority, shall be divided among the members in accordance with a unanimous agreement among them or in proportion to the total tonnage of solid waste each member caused to be delivered to the transfer facility. Financial statements may be obtained at the Humboldt Waste Management Authority, located at 1059 West Hawthorne Street, Eureka, California 95501.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities (either funds or component units) of the City are not included in these statements.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City within three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement on Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated, also interfund services provided and used are not eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Advances to, Advances from other funds
- Transfers in, Transfers out

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Columns representing internal service funds are also presented in these statements. However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds 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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and Statement of Changes in Net Position. The City's fiduciary funds are accounted for according to the nature of the fund. The City has two such funds which are accounted for using "economic resources" measurement focus and the accrual basis of accounting are the proprietary funds explained above. The one Agency fund of the City does not use or have a measurement focus.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except as noted above). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement focus, basis of accounting, and financial statement presentation
(Continued)**

The government reports the following major governmental funds:

The **General fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Successor Housing Authority fund** accounts for the low and moderate income housing program previously administrated by the Redevelopment Agency low and moderate income housing fund.

The **Housing fund** accounts for all housing funds of the City, including: the proceeds of Community Development Block grants, as required by federal regulations; reimbursement of block grant economic development loans ("program income"); rental rehabilitation state grant funds; Home Investment Partnership Program (HOME) for loans of federal and state grant funds; and local housing to operate as a revolving loan fund. Funding sources for the housing loan programs include grants and loan repayments.

The government reports the following major proprietary funds:

The **Water fund** is used to account for the operation and maintenance of the City's water utility. Revenues are primarily user charges. Rates are set periodically by the City Council.

The **Wastewater fund** is used to account for the operation and maintenance of the City's sewer utility.

The **Harbor fund** is used for administration and operation of the Humboldt Bay Harbor.

The **Building fund** is used for administration of construction regulation programs, building code enforcement, and public information programs.

The **Transit fund** is used for administration and operation of the Eureka Transit System and Dial-a-Ride/Lift program, as well as the City's share of a county-wide transit system.

The **Golf fund** is used for the administration of the Municipal Golf Course.

Additionally, the government reports the following fund types:

Governmental Fund Types

The Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Proprietary Fund Type

Internal service funds account for data processing, fleet management services, and risk management to other departments or agencies of the government on a cost reimbursement basis. Transactions for interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Fiduciary Fund Type

The pension trust fund accounts for the activities of the public safety employee's retirement system, which accumulates resources for pension benefit payments to qualified public safety employees.

The private-purpose trust fund accounts for the activities of the Humboldt Del Norte Hazard Materials Response Authority and the Redevelopment Agency Successor Agency.

The Agency Fund is used to account for funds received and held by the City in a custodial capacity.

Recognition of Interest Liability

Interest expenditures on long-term debt within governmental funds are recognized when payment is due. Proprietary fund interest expense is recognized as the liability is incurred.

Use of Estimates

The preparation of basic 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 and disclosures. Actual results could differ from these estimates and assumptions.

D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity

1. Deposits and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity (Continued)

1. Deposits and Investments (Continued)

In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", highly liquid 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. Market value is used as fair value for those securities for which market quotations are readily available.

Under provisions of the City's investment policy, the City may invest in any instruments authorized by Section 53601 of the California Government Code.

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

Monies held by bond trustees are invested, as followed by California Government Code Section 53601 (1), in accordance with the provisions of the respective bond indentures involved.

During the fiscal year, the City may have held Structured Notes. Structured Notes are debt securities (other than Asset-backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and government-sponsored enterprises such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). These securities could be called prior to maturity, depending on changes in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents, including cash with fiscal agents.

2. Receivables and Payables

Advances to other Funds

For governmental fund types, noncurrent portions of long term interfund loans receivable are equally offset by a restricted fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long term interfund loans receivable are considered "available spendable resources".

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity
(Continued)**

3. Inventory and Prepaid Items

Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventory of land held for resale is valued at the lower of cost or net realizable value. Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

4. Restricted Assets

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificates of participation or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinances, resolution, or bond indenture.

Use of Restricted and Unrestricted Net Position - When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

5. Deferred Outflow/Inflow of Resources

In addition to assets, the statement of net 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 City has deferred outflows of resources on the deferred loss on refunding of debt and pensions in the statement of net position.

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflow of resources deferred revenue on the fund financial statements and pensions in the statement of net position.

6. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 including infrastructure.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity (Continued)

6. Capital Assets (Continued)

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Water system	20-50 years
Sewer system	15-50 years
Buildings	30-50 years
Improvements-not buildings	20-40 years
Machinery and equipment	3-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included infrastructure acquired or constructed in the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping, and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital asset construction, if any, is capitalized for the business-type funds as part of the asset cost.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity
(Continued)**

8. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position and Fund Balance

Net Position and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position is temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity
(Continued)**

9. Net Position and Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

10. Property Taxes

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity
(Continued)**

10. Property Taxes (Continued)

Property Valuations – are established by the Assessor of the County of Humboldt 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 the 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.

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 of Humboldt 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 of Humboldt. The Teeter Plan authorizes the Auditor/Controller of the County of Humboldt to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of Humboldt 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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, liabilities, deferred outflow/inflow of resources, and net position or equity
(Continued)**

11. Pensions

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

E. New Accounting Pronouncements

Implemented:

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the City's financial statements for the fiscal year ended June 30, 2016, see Note 3 – Cash and Investments for further detail.

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (Continued)

Pending Accounting Standards:

Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after December 15, 2017.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual appropriated budgets are adopted for all funds of the City. Appropriations include amounts encumbered at fiscal year-end as these encumbrances are not reappropriated in the following year. All annual appropriations lapse at fiscal year end. Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

Project-length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

**CITY OF EUREKA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information (Continued)

Budgetary financial statements include revenues and expenditures which are presented in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP).

Formal budgetary integration is employed as a management control device. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year-end commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2016, the following funds reflected expenditures in excess of budgeted amounts:

<u>Major fund</u>	<u>Amount of Excess</u>
General Fund	
Capital Outlay:	\$ 68,382
Debt service:	1,304
 <u>Non-major funds</u>	
Special Revenue Funds:	
Demolition Projects	51,941
Airport	1,223

C. Deficit fund equity/net position

Major fund

The Building Enterprise fund had a deficit net position balance of \$1,231,898 as of June 30, 2016. The deficit balance is due to elimination of a general fund subsidy. Increased enforcement activity and rate increases are expected to close the gap in the future.

Nonmajor funds

Deficit fund balances exist in the Gas Tax/State Highway Special Revenue Fund of \$181,092, Parking Special Revenue Fund of \$48, Demolition Projects Special Revenue Fund of \$1,269,940, and Airport Special Revenue Fund of \$9,007. These deficits are expected to be eliminated upon receipt of the grant revenues and reimbursements that were not recognized as a result of not meeting the availability criteria and interfund transfers.

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit fund equity/net position (Continued)

Internal Service fund

The Risk Management Internal Service Fund had a deficit balance at June 30, 2015 of \$917,980. The deficit is due to the City incurring costs in advance of receiving revenue.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 17,733,934	\$ 1,818,661	\$ 19,552,595
Cash and investments with fiscal agents	7,128,153	1,073,206	8,201,359
Total Cash and Investments	\$ 24,862,087	\$ 2,891,867	\$ 27,753,954

Cash and investments at June 30, 2016 consisted of the following:

Cash on hand	\$ 8,530
Deposits with financial institutions	5,640,986
Investments	22,104,438
Total Cash and Investments	\$ 27,753,954

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table in the next page identifies the investment types that are authorized for the City of Eureka (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of 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. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
Corporate Medium Term Notes	5 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
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

B. Investments Authorized by Debt Agreements

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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Certificates of Deposit with Banks and Savings & Loans	None	None	None
United States Treasury Obligations	None	None	None
United States Government Sponsored Enterprise Securities	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
State of California Local Agency Investment Fund (State Pool)	None	None	None

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
State Investment Pool	\$ 13,614,549	\$ 13,614,549	\$ -	\$ -	\$ -
Certificates of Deposit	288,530	288,530			
Held by Bond Trustees:					
Money Market Mutual Funds	8,201,359	8,201,359			
Total	\$ 22,104,438	\$ 22,104,438	\$ -	\$ -	\$ -

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 13,614,549	N/A	\$ -	\$ -	\$ -	\$ -	\$ 13,614,549
Certificates of Deposit	288,530	N/A					288,530
Held by Bond Trustees:							
Money Market Mutual Funds	8,201,359	N/A					8,201,359
Total	\$ 22,104,438		\$ -	\$ -	\$ -	\$ -	\$ 22,104,438

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2016, the City's investment in the following type was held by the same broker-dealer (Counterparty) that was used by the City to buy the security:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$288,530

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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 EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH AND INVESTMENTS (Continued)

Fair Value Measurements:

The City pool investment categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City pool investment has the following recurring fair value measurements as of June 30, 2016:

<u>Investment by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Input (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt securities				
Certificates of deposits	\$ 288,530	\$ 288,530		
Total Investments Measured at Fair Value	288,530	\$ 288,530	\$ -	\$ -
Investments Measured at Amortized Cost				
LAIF	13,614,549			
Total Pooled Investments	\$ 13,903,079			

The City also had investments in the money market mutual funds, however, these investments are not required to be measured under Level 1, 2 or 3.

NOTE 4 RECEIVABLES

Receivables as of fiscal year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Governmental Funds:			
General	\$ 6,511,556	\$ -	\$ 6,511,556
Nonmajor Governmental Funds	354,350		354,350
Total - Governmental Funds	\$ 6,865,906	\$ -	\$ 6,865,906

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 RECEIVABLES (Continued)

Governmental funds report unavailable revenues in connection with receivables for revenues and notes and loans that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2016, the various components of unearned revenue are as follows:

Unearned Revenue/Deferred Inflows of Resources:

Governmental Funds:

General	\$ 451,940
Successor Housing Authority	7,474,318
Housing	<u>6,193,388</u>
Total Unearned Revenues	<u>\$ 14,119,646</u>

Receivables as of fiscal year end for the government's individual enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Enterprise Funds:			
Water	\$ 777,123	\$ 7,310	\$ 784,433
Wastewater	671,383	52,701	724,084
Harbor	9,463		9,463
Building	1,450,491		1,450,491
Transit	<u>424,373</u>		<u>424,373</u>
Total - Enterprise Funds	<u>\$ 3,332,833</u>	<u>\$ 60,011</u>	<u>\$ 3,392,844</u>

Receivables of the Water and Wastewater funds are reported net of nominal uncollectible accounts in the amount of \$13,587 and \$5,479 respectively.

Notes and Loans Receivable

The following schedule summarizes notes and loans receivable as of June 30, 2016:

Successor Housing Authority Fund Notes Receivable	\$ 7,474,318
Housing Special Revenue Fund Loans Receivable	<u>6,193,388</u>
Total Notes Receivable, Governmental Funds	<u>\$ 13,667,706</u>

These notes and loans represent amounts loaned to individuals and businesses to assist in the elimination of blight and/or assist in purchasing or rehabilitation of residences or businesses.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash. The composition of interfund balances as of June 30, 2016 is as follows:

A. Due to/ from other fund

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Major Water Enterprise Fund	General Fund	\$ 436,503
	Nonmajor Gas Tax/State Highway Special Revenue Fund	87,949
	Nonmajor Habitat Acquisition and Restoration Special Revenue Fund	109,272
	Nonmajor Capital Improvements Special Revenue Fund	1,258
	Nonmajor Demolition Projects Special Revenue Fund	1,277,073
	Nonmajor Airport Projects Special Revenue Fund	11,258
	Major Harbor Enterprise Fund	465,873
	Major Building Enterprise Fund	1,263,758
	Major Transit Enterprise Fund	519,899
	Risk Management Internal Service Fund	612,938
		<u>\$4,785,781</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2016 is as follows:

	Balance at July 1, 2015	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 3,692,899	\$ -	\$ -	\$ -	\$ 3,692,899
Infrastructure	23,922,864	102,324			24,025,188
Construction in progress	1,658,979	707,681		(320,777)	2,045,883
Artwork	236,795				236,795
Total capital assets, not being depreciated	<u>29,511,537</u>	<u>810,005</u>		<u>(320,777)</u>	<u>30,000,765</u>
Capital assets, being depreciated:					
Buildings	19,492,036			229,377	19,721,413
Improvements other than buildings	85,745,194				85,745,194
Machinery and equipment	17,578,745	380,320	(50,696)		17,908,369
Infrastructure	8,480,297			91,400	8,571,697
Total capital assets being depreciated	<u>131,296,272</u>	<u>380,320</u>	<u>(50,696)</u>	<u>320,777</u>	<u>131,946,673</u>
Less accumulated depreciation for:					
Buildings	(7,345,582)	(416,646)			(7,762,228)
Improvements other than buildings	(63,152,192)	(1,161,351)			(64,313,543)
Machinery and equipment	(12,841,917)	(935,194)	31,512		(13,745,599)
Infrastructure	(2,579,411)	(345,209)			(2,924,620)
Total accumulated depreciation	<u>(85,919,102)</u>	<u>(2,858,400)</u>	<u>31,512</u>		<u>(88,745,990)</u>
Total capital assets being depreciated, net	<u>45,377,170</u>	<u>(2,478,080)</u>	<u>(19,184)</u>	<u>320,777</u>	<u>43,200,683</u>
Governmental activities capital assets, net	<u>\$ 74,888,707</u>	<u>\$ (1,668,075)</u>	<u>\$ (19,184)</u>	<u>\$ -</u>	<u>\$ 73,201,448</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 360,861
Public safety	543,199
Public works	1,252,493
Community development	280,308
Culture and recreation	421,539
Total depreciation expense - governmental activities	<u>\$ 2,858,400</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 CAPITAL ASSETS (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2016 is as follows:

	Balance at July 1, 2015	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	36,198,895	2,352,357		(532,023)	38,019,229
Total capital assets, not being depreciated	<u>47,897,695</u>	<u>2,352,357</u>		<u>(532,023)</u>	<u>49,718,029</u>
Capital assets, being depreciated:					
Buildings	11,685,197			108,167	11,793,364
Improvements other than buildings	35,820,795	10,850		18,431	35,850,076
Machinery and equipment	52,995,026	140,520			53,135,546
Infrastructure	19,795,673			405,425	20,201,098
Total capital assets being depreciated	<u>120,296,691</u>	<u>151,370</u>		<u>532,023</u>	<u>120,980,084</u>
Less accumulated depreciation for:					
Buildings	(5,980,385)	(240,854)			(6,221,239)
Improvements other than buildings	(21,515,061)	(568,854)			(22,083,915)
Machinery and equipment	(37,509,367)	(1,253,660)			(38,763,027)
Infrastructure	(3,315,339)	(483,117)			(3,798,456)
Total accumulated depreciation	<u>(68,320,152)</u>	<u>(2,546,485)</u>			<u>(70,866,637)</u>
Total capital assets being depreciated, net	<u>51,976,539</u>	<u>(2,395,115)</u>		<u>532,023</u>	<u>50,113,447</u>
Business-type activities capital assets, net	<u>\$ 99,874,234</u>	<u>\$ (42,758)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,831,476</u>

Depreciation was charged to business – type activities as follows:

Business-type Activities:

Water	\$ 836,403
Wastewater	1,100,299
Harbor	330,797
Building	12,274
Transit	261,133
Golf	5,579
Total depreciation expense - business-type activities	<u>\$ 2,546,485</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 OPERATING LEASES

The City leases (as lessee) equipment and real estate under operating leases, which are not, in the aggregate, material.

The City leases (as lessor) various office facilities & buildings, hangar facilities, tidelands & docks, and the golf course under operating leases to various entities and individuals. Total revenues from these leases for fiscal year ending June 30, 2016 were \$320,656. From this same period, the contingent rentals totaled \$56,389.

NOTE 8 LONG-TERM DEBT

A. Changes in long-term debt

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,194,679	\$ 787,899	\$ (781,295)	\$ 1,201,283	\$ 1,201,283
Net Pension Liabilities	38,183,484	7,581,699	(14,725,650)	31,039,533	
Capital Leases	846,312		(309,653)	536,659	170,168
Total	\$ 40,224,475	\$ 8,369,598	\$ (15,816,598)	\$ 32,777,475	\$ 1,371,451

	Balance at July 1, 2015	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Business-type Activities:						
Series 2002B CSCDA Revenue Bonds	\$ 2,370,000	\$ -	\$ -	\$ (135,000)	\$ 2,235,000	\$ 140,000
Series 2003A CSCDA Revenue Bonds	2,640,000			(140,000)	2,500,000	145,000
Series 2005C CSCDA Revenue Bonds	5,210,000			(380,000)	4,830,000	395,000
Series 2006A CSCDA Revenue Bonds	1,395,000			(55,000)	1,340,000	60,000
Wastewater Revenue Bonds Series 2011	15,465,000			(290,000)	15,175,000	300,000
Water Revenue Bonds Series 2012	9,370,000				9,370,000	
Total Bonds Payable	36,450,000			(1,000,000)	35,450,000	1,040,000
Bond Premium	462,743			(22,048)	440,695	22,048
Net Pension Liabilities	10,379,753		2,005,104	(987,264)	11,397,593	
Compensated Absences	254,151		213,106	(206,803)	260,454	260,454
Capital Lease	667,549			(326,957)	340,592	340,592
Intergovernmental Loan Payable	1,687,552				1,687,552	98,342
Total	\$ 49,901,748	\$ -	\$ 2,218,210	\$ (2,543,072)	\$ 49,576,886	\$ 1,761,436

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

C. Capital Leases

Governmental activities

During fiscal year 2012-13, the City entered into a capital lease for a fire truck and roofing at the City Hall with a maximum value of \$782,479. As of June 30, 2016, the balance of this lease is \$477,914.

During fiscal year 2012-13, the City entered into a capital lease for a network upgrade and a VoIP phone system with a maximum value of \$285,887. As of June 30, 2016, the balance of this lease is \$58,745.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of June 30, 2016, the total balance for all capital leases related to governmental activities is \$536,659.

Business-type activities

During fiscal year 2006-07, the City entered into a capital lease agreement for an Automated Water Metering System with a maximum value of \$2,853,500. Annual installments of \$354,794 begin December 19, 2007 through December 19, 2016 at an interest rate of 4.17%. As of June 30, 2016, the balance of this lease is \$340,592.

The following is a schedule of the future minimum lease payments under these capital leases

Fiscal Year Ending June 30,	Governmental Activities Amount	Business-type Activities Amount
2017	\$ 189,943	\$ 354,795
2018	129,542	
2019	129,542	
2020	129,542	
Minimum lease payments	578,569	354,795
Less amount representing interest	(41,910)	(14,203)
Present value of minimum lease payments	<u>\$ 536,659</u>	<u>\$ 340,592</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

D. Intergovernmental Loan

Business-type activities

On September 26, 1996, the City and Redevelopment Agency jointly entered into a loan and operation contract with the California Department of Boating and Waterways for the purpose of repairing and refurbishing the Eureka Boat Basin. The loan of \$2,750,000 is payable at 4.5% interest over 30 years. The outstanding balance as of June 30, 2016 was \$1,687,552. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 98,342	\$ 75,940	\$ 174,282
2018	102,768	71,514	174,282
2019	107,392	66,890	174,282
2020	112,225	62,057	174,282
2021	117,275	57,007	174,282
2022-2026	670,447	200,963	871,410
2027-2029	479,103	43,752	522,855
	<u>\$ 1,687,552</u>	<u>\$ 578,123</u>	<u>\$ 2,265,675</u>

E. Revenue Bonds

Business-type activities

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2002B principal amount of \$3,625,000, due in annual installments through April 1, 2028; interest rates at 4.00% to 5.25%. Proceeds were used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2016 was \$2,235,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2017	\$ 140,000	\$ 111,728	\$ 251,728
2018	145,000	104,318	249,318
2019	155,000	96,518	251,518
2020	160,000	88,488	248,488
2021	170,000	80,238	250,238
2022-2026	995,000	258,283	1,253,283
2027-2028	470,000	24,937	494,937
Totals	<u>\$ 2,235,000</u>	<u>\$ 764,510</u>	<u>\$ 2,999,510</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

CSCDA Wastewater Revenue Bonds (Pooled Financing Program), Series 2003A principal amount of \$4,040,000 due in annual installments through April 1, 2029; interest rates at 2.00% to 5.25%. Proceeds were used to finance various Wastewater Utility projects. These bonds are payable exclusively from the revenues of the City's Wastewater Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2016 was \$2,500,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2017	\$ 145,000	\$ 115,940	\$ 260,940
2018	150,000	110,500	260,500
2019	155,000	104,782	259,782
2020	160,000	97,676	257,676
2021	170,000	89,013	259,013
2022-2026	1,000,000	298,877	1,298,877
2027-2029	720,000	52,252	772,252
Totals	\$ 2,500,000	\$ 869,040	\$ 3,369,040

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2005C principal amount of \$8,110,000, due in annual installments through April 1, 2026; interest rates at 2.60% to 5.00%. Proceeds were used to advance refund the City's CSCDA 2000A Water and Wastewater Revenue Bonds. These bonds are payable exclusively from the City's Water Utility and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2016 was \$4,830,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2017	\$ 395,000	\$ 220,594	\$ 615,594
2018	410,000	204,995	614,995
2019	425,000	188,500	613,500
2020	440,000	169,000	609,000
2021	465,000	146,375	611,375
2022-2026	2,695,000	349,625	3,044,625
Totals	\$ 4,830,000	\$ 1,279,089	\$ 6,109,089

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2006A principal amount of \$1,795,000, due in annual installments through April 1, 2032; interest rates at 3.00% to 5.00%. Proceeds were used to finance various Water System Projects. The bonds are payable solely from the revenue of the City's Water Utilities and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2016 was \$1,340,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2017	\$ 60,000	\$ 59,631	\$ 119,631
2018	60,000	57,268	117,268
2019	65,000	54,768	119,768
2020	65,000	52,128	117,128
2021	70,000	49,300	119,300
2022-2026	405,000	192,971	597,971
2027-2031	500,000	84,603	584,603
2032	115,000	2,588	117,588
Totals	<u>\$ 1,340,000</u>	<u>\$ 553,257</u>	<u>\$ 1,893,257</u>

The Wastewater Revenue Bonds, Series 2011 were issued in the amount of \$16,280,000, due in annual installments through October 1, 2041; interest rates at 2.00% to 5.00%. The purpose of this issue was to finance capital improvements including, but not limited to, the acquisition, construction and improvement of 1.5 miles of interceptor sewer piping and connections along the floor of the Martin Slough Valley, a pumping station, and approximately 1.6 miles of sewer force main piping from the pumping station to the City's wastewater treatment plant. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Wastewater System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2016 was \$15,175,000.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

E. Revenue Bonds (Continued)

Business-type activities (Continued)

Fiscal Year Ending June 30,	Wastewater Revenue Bonds Series 2011		
	Principal	Interest	Total
2017	\$ 300,000	\$ 736,056	\$ 1,036,056
2018	310,000	723,081	1,033,081
2019	325,000	708,794	1,033,794
2020	340,000	692,982	1,032,982
2021	360,000	675,482	1,035,482
2022-2026	2,105,000	3,079,785	5,184,785
2027-2031	2,675,000	2,500,239	5,175,239
2032-2036	3,395,000	1,781,222	5,176,222
2037-2041	4,355,000	818,875	5,173,875
2042	1,010,000	25,250	1,035,250
Totals	<u>\$ 15,175,000</u>	<u>\$ 11,741,766</u>	<u>\$ 26,916,766</u>

The Water Revenue Bonds, Series 2012 were issued in the amount of \$9,370,000, due in annual installments through October 1, 2042; interest rates at 4.00% to 5.00%. The purpose of this issue was to finance the cost of improvements to the Water System of the City. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Water System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2016 was \$9,370,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Water Revenue Bonds Series 2012		
	Principal	Interest	Total
2017	\$ -	\$ 424,800	\$ 424,800
2018		424,800	424,800
2019		424,800	424,800
2020		424,800	424,800
2021		424,800	424,800
2022-2026		2,124,000	2,124,000
2027-2031	1,160,000	2,046,650	3,206,650
2032-2036	2,830,000	1,562,300	4,392,300
2037-2041	3,670,000	818,375	4,488,375
2042-2043	1,710,000	78,425	1,788,425
Totals	<u>\$ 9,370,000</u>	<u>\$ 8,753,750</u>	<u>\$ 18,123,750</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 LONG-TERM DEBT (Continued)

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Business-type			Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	
2017	\$ 740,000	\$ 300,000	\$ -	\$ 1,040,000
2018	765,000	310,000		1,075,000
2019	800,000	325,000		1,125,000
2020	825,000	340,000		1,165,000
2021	875,000	360,000		1,235,000
2022-2026	5,095,000	2,105,000		7,200,000
2027-2031	1,690,000	2,675,000	1,160,000	5,525,000
2032-2036	115,000	3,395,000	2,830,000	6,340,000
2037-2041		4,355,000	3,670,000	8,025,000
2042-2043		1,010,000	1,710,000	2,720,000
	<u>\$ 10,905,000</u>	<u>\$ 15,175,000</u>	<u>\$ 9,370,000</u>	<u>\$ 35,450,000</u>

F. Compensated Absences

Employees may accumulate up to 30 days of vacation leave, except management employees, who may accumulate up to 44 days. Employees may accumulate an indefinite amount of sick leave. Vacation leave accrues at a rate determined by the employee's years of service and whether they work an 8-hour or 24-hour shift. The number of hours that accrue per month varies from 8 to 22. Vacation leave vests as it is accrued and unused vacation leave is payable upon retirement or termination. Compensation hours (executive leave) accrue for management and mid-management at 9 and 6 days per year, respectively. Compensation hours also accrue for police, fire and other specified employees in lieu of cash payments for overtime. A liability has been created to account for the accrued vacation and compensation leave in the government-wide financial statements. The City has, in the past, liquidated compensated leave in the general fund and all the proprietary funds. Vested vacation pay is expensed as earned in the proprietary fund types. The City's liability for earned vacation and compensation pay consisted of the following amounts as of June 30, 2016:

Governmental Funds	\$ 1,154,070
Internal Service Funds	<u>47,213</u>
Subtotal Governmental Activities	1,201,283
Business-type Funds	<u>260,454</u>
Total	<u>\$ 1,461,737</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 OTHER INFORMATION

A. Risk Management

The City of Eureka is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City participates in a public entity risk pool for workers' compensation, general liability and property insurance coverage. During fiscal year 2015-16, there were no significant reductions in insurance coverage.

B. Risk Pool Arrangements

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate 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.

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.

REMIF programs do not insure the City's losses resulting from events which occurred prior to March 1, 1993, the date on which the City became an associate member of REMIF.

The City of Eureka participates in the following three REMIF programs:

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Eureka self-insures for the first \$25,000 of each loss and pays 100% of all losses incurred under \$25,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity's deductible amount. Participating cities then share in the next \$25,000 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 \$9,500,000 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 Eureka is self-insured for the first \$10,000 of each loss and pays 100% of all losses incurred under \$10,000. The City does not share or pay for losses of other cities under \$10,000.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 OTHER INFORMATION (Continued)

B. Risk Pool Arrangements (Continued)

Losses of \$10,000 to \$500,000 are prorated among all participating cities. Losses in excess of \$500,000 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 Eureka has a deductible level of \$10,000 and a coverage limit of \$300,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2016:

Total Assets	\$ 18,982,986
Total Deferred Outflows	515,364
Total Liabilities	21,934,697
Total Deferred Inflows	188,410
Total Net Position	(2,624,757)
Total Revenues	23,921,893
Total Expenses	23,859,933
Decrease in Net Position	61,960

Other Insurance Programs

The City maintains the following programs for exposure to losses which are not covered by REMIF:

General Liability Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrues its share of general liability based on an analysis of past experience.

The City self-insures for \$25,000 per occurrence. The City’s excess coverage is \$500,000 per occurrence with \$5,000,000 annual general aggregate coverage on the primary policy.

The total excess liability provides \$40,000,000 coverage per occurrence or in the aggregate annually.

Worker’s Compensation Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrued workers’ compensation liability based on an actuarial evaluation of claims, which was accomplished during the year ended June 30, 1996. The City self-insures claims up to \$90,000 during the first payment year following the date of the accident, \$50,000 during the second payment year, and \$40,000 during the third and each subsequent payment year following the date of the accident resulting in injury. Excess worker’s compensation insurance coverage is maintained with a limit of \$2,000,000 to protect against catastrophic losses.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 OTHER INFORMATION (Continued)

B. Risk Pool Arrangements (Continued)

Group Health and Benefits – On August 1, 2002 the City terminated a self-insured group health and benefit program for its employees and eligible dependents. The self-insured group health and benefits “tail” claims were paid through June 30, 2003. City employees choose from a number of benefit plans (dental, health, vision, life insurance, long-term disability, 125 plan medical and/or dependent care) available to them through the City using the monthly fringe benefit contribution from the City. Each plan requires an employee deductible amount and pays benefit percentages that vary depending on plan carrier.

NOTE 10 CLAIMS ADJUSTMENTS

The City maintains an internal service fund to account for general liability insurance, worker’s compensation insurance, and group health and benefits insurance. The primary source of revenue for this fund consists of charges for services to the other funds of the City of Eureka. Claims liabilities are based on the requirements of Governmental Accounting Standards Board Statement Nos. 10 and 30, which require that claims liabilities, including IBNR (incurred but not reported claims), be based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends and any other factors that would modify past experience. Claims liabilities include specific, incremental claim adjustment expenditures/expenses. Expenditures/expenses and liabilities may be estimated through a case by case review of all claims, the application of historical experience to the outstanding claims, or a combination of these methods. Estimates of IBNR losses are based on historical experience. Claims liability has not been accrued for risks of losses which have been transferred to the public entity risk pool (REMIF).

The following schedule presents changes in accrued claims payable for the fiscal years ended June 30, 2016 and June 30, 2015:

	General Liability Insurance	Worker's Compensation Insurance	Total
Accrued claims payable, June 30, 2014	\$ (89,616)	\$ (148,642)	\$ (238,258)
Provision for insured events payments	818,465	837,562	1,656,027
Payments made to public entity risk pool	(694,768)	(682,375)	(1,377,143)
Direct payments made by the City	(134,017)	(96,766)	(230,783)
Accrued claims payable, June 30, 2015	\$ (99,936)	\$ (90,221)	\$ (190,157)
Provision for insured events payments	545,660	798,134	1,343,794
Payments made to public entity risk pool	(545,660)	(634,643)	(1,180,303)
Direct payments made by the City	(47,907)	(179,488)	(227,395)
Accrued claims payable, June 30, 2016	\$ (147,843)	\$ (106,218)	\$ (254,061)

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Local Employees' Retirement System (LERS):

Plan description

The City of Eureka (City) is the administrator of the Fire and Police Pension Benefits Plan (Plan), which is a single-employer public employee retirement system (LERS) originally established by the City in accordance with the City charter and state statutes for the benefit of its employees. This plan was formally terminated June 30, 1984, when its only remaining participants were retired members and employees who did not elect to be covered by the state public employees' retirement system at August 24, 1969. The last active member retired in 1988.

Members of the Plan were given credit for service from their date of hire to the date of the Plan termination. Active and retired members were given a one-time election to receive, in lieu of other benefits promised under the Plan, a single-sum payment. The buy-out during fiscal year 1984-85 totaled \$9,513,214. There have been no additional buy-out payments since 1985.

LERS is included as part of the primary government of the City and is included in the City's financial statements as a fiduciary fund. As of June 30, 2016, LERS membership consisted of 12 police and fire retirees and beneficiaries currently receiving benefits. Under LERS, after twenty-five years or more of service, in the aggregate, or upon reaching the age of sixty-five years, each covered employee was entitled to receive a yearly pension, in semi-monthly installments, equal to one-half the amount of salary attached to the rank which he/she may have held in the Fire or Police Department. Any employee who had not worked the full period of twenty-five years before reaching the age of sixty-five was entitled to have the amount of pension prorated according to the number of years worked in proportion to the period of twenty-five years of active service required for the pension provision.

Basis of Accounting – The City of Eureka LERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due. Benefit payments are recognized when due and payable in accordance with the terms of the plan.

Summary of significant accounting policies and plan asset matters

Methods Used to Value Investments – Investments are reported at fair value. Cash and Cash equivalents are reported at cost, which approximates fair value (see also Note 1, Section I). Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported as estimated fair value.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (Continued):

Contributions required and contributions made

The City's Municipal Code, Title III, Chapter 34, assigns the authority to establish and amend benefits provisions of the Plan to the City Council.

Funding Policy – Actuarial determined funding policy provides for recommended period employer contributions for a projected forty-year cash flow under a thirty-year funding policy. During the last 5 fiscal years, contributions were not made in accordance with actuarially determined requirements. During the fiscal year 2006-07, contributions from the General Fund were made to cover benefits on a “pay as you go” basis. No contributions were made during the fiscal year 2007-08. During the fiscal years 2009-10, 2010-11, 2011-12, 2012-2013, 2013-2014, 2014-2015, and 2015-2016 contributions from the General Fund were made to cover benefits on a “pay as you go” basis. All administrative costs are financed by the City.

Annual Pension Cost and Net Pension Obligation – The City's annual pension cost and net pension obligation to LERS for the 2015-16 fiscal year was as follows:

Annual required contribution	\$ 40,126
Interest on net pension obligation (asset)	(119,603)
Adjustments to annual required contribution	205,244
Annual pension cost	<u>125,767</u>
Contribution made	<u>(396,879)</u>
Increase (decrease) in net pension obligation (asset)	(271,112)
Net pension obligation (asset), beginning of fiscal year	<u>(1,993,598)</u>
 Net pension obligation (asset), end of fiscal year	 <u>\$ (2,264,710)</u>

The annual required contribution for the fiscal year 2015-16 was determined as part of the June 30, 2016 actuarial review using the entry age normal cost method, with the determination of the initial unfunded actuarial liability as of June 30, 1988, and amortizing that value over the remaining portion of forty years, with such forty year period beginning with the date of the initial funding method at July 1, 1975. The unfunded actuarial liability is being amortized as a level dollar of projected payroll.

The actuarial assumptions included: (a) Rate of return on the investment of present and future assets of six percent per year, (b) projected salary increases of four percent per year attributable to inflation, and; (c) post-retirement mortality rates based on the 1971 Group Annuity Mortality Table, with a five-year setback for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (Continued):

Contributions required and contributions made (Continued)

There was a material change in actuarial method for the fiscal year 1997-98 used to determine the Net Pension Obligation. The major change in the calculations dealt with the actuarial required contribution (ARC) for each of the years prior to 1997. The prior number was calculated with the recommended annual contributions being used as the ARC. Such recommended amounts amortized all gains and losses over a period that ends on June 30, 2016. The 2008-09 calculations were based on the required contributions under the entry age normal cost method, with the initial unfunded liability amortized over a period of forty years starting on July 1, 1974, actuarial experience gains and losses amortized over fifteen years from the date of recognition, and gains and losses created due to a change in actuarial assumptions amortized over thirty years. The June 30, 2016 actuarial valuation bases the calculations on the entry age normal cost method, with the initial unfunded liability amortized over a thirty year period starting on July 1, 1975, actuarial experience gains and losses being amortized over fifteen years, and gains and losses created due to a change in actuarial assumptions being amortized over thirty years. Except for the change in amortization of the initial unfunded liability from forty to thirty years noted above, there were no other material changes in the actuarial assumptions or benefit provisions.

Three year trend information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Assets)
2014	\$ 12,186	100%	\$ (1,683,798)
2015	87,862	100%	(1,993,598)
2016	125,767	100%	(2,264,710)

Funded Status — Most Recent Actuarial Valuation

According to the Plan's June 30, 2016 actuarial valuation, total actuarial assets of \$0 represented 0% of the total actuarial accrued liabilities of \$3,625,385 as of June 30, 2016. Additionally, total unfunded actuarial liabilities were \$3,627,087 at June 30, 2016 according to the valuation. For multiyear trend information, please refer to the schedules of funding progress in the supplementary information section of these financial statements. As noted in GASB Statement No. 50, this reference to the schedules of funding progress does not represent or imply incorporation of the schedules of funding progress into notes to the financial statements.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government 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.

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	City Miscellaneous Plan		
	Tier I	Tier I	PEPRA
Hire date	Prior to August 1, 2002	On or after August 1, 2002	On or after July 1, 2013
Benefit formula	2.7% @ 55	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.00%	8.00%	6.25%
Required employer contribution rates	26.362%	26.362%	26.362%

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	249
Inactive employees entitled to but not yet receiving benefits	187
Active employees	164
Total	600

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (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 fiscal 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.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service 7.50 % Net of Pension Plan Investment Expenses, includes Inflation
Investment Rate of Return	Derived using CalPERS' Membership Data for all Funds
Mortality Rate Table ¹	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Post Retirement Benefit Increase	

(1) The 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 on this table, please refer to the 2014 experience study report.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Change of Assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 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 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

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

In determining the long-term expected rate of return, staff took into account both short-term and long term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, 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 fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

C. Changes in the Net Pension Liability

The change in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	\$ 89,143,879	\$ 63,221,061	\$ 25,922,818
Changes during the year:			
Service Cost	1,554,810	-	1,554,810
Interest on the Total Pension Liability	6,520,030	-	6,520,030
Change of Assumptions	(1,505,340)	-	(1,505,340)
Differences between Expected and Actual Experience	(906,323)	-	(906,323)
Plan to Plan Resource Movement	-	(914,730)	914,730
Contribution from the Employer	-	1,988,547	(1,988,547)
Contribution from the Employees	-	670,876	(670,876)
Net Investment Income	-	1,454,617	(1,454,617)
Benefit Payments	(4,560,948)	(4,560,948)	-
Administrative Expense	-	(71,224)	71,224
Net Changes	1,102,229	(1,432,862)	2,535,091
Balance at June 30, 2015	\$ 90,246,108	\$ 61,788,199	\$ 28,457,909

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's 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:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 39,779,037
Current Discount Rate	7.65%
Net Pension Liability	\$ 28,457,909
1% Increase	8.65%
Net Pension Liability	\$ 19,036,361

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

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2016, the City recognized pension expense of \$1,950,383. At June 30, 2016, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,048,588	\$ -
Changes of assumptions	-	(903,204)
Differences between expected and actual experiences	-	(543,794)
Net differences between projected and actual earnings on plan investments	-	(646,869)
Total	<u>\$ 2,048,588</u>	<u>\$ (2,093,867)</u>

\$2,048,588 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	
2017	\$ (1,397,481)
2018	(915,149)
2019	(432,817)
2020	651,580

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Safety (police) Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government 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.

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	City Safety Plan - Police	
	Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	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	3%	2.0% to 2.7%
Required employee contribution rates	9.00%	11.923%
Required employer contribution rates	19.263%	11.923%

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 fiscal 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 fiscal year ended June 30, 2016, the contributions recognized as a reduction to the net pension liability for the plan was \$1,695,798.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan (Continued)

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

As of June 30, 2015, the City reported net pension liability for its proportionate share of the net pension liability was \$13,979,217.

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Safety-Police</u>
Proportion - June 30, 2014	0.33729%
Proportion - June 30, 2015	0.34809%
Change - Increase (Decrease)	0.01080%

For the fiscal year ended June 30, 2016, the City recognized pension expense of \$1,077,711. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (187,601)
Changes of assumptions		(862,843)
Changes of employer's proportions	918,128	(79,919)
Net difference between projected and actual earnings on pension plan investments	-	(437,294)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	147,806
City contributions subsequent to the measurement date	1,550,480	-
	\$ 2,468,608	\$ (1,419,851)

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$1,550,480 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		
2017	\$	(147,118)
2018		(138,840)
2019		(106,443)
2020		(109,322)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	<u>Safety - Police</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30%-14.20%
Investment Rate of Return	7.50%
Mortality(1)	Derived using CalPERS' Membership Data for all Funds

(1) The 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 on this table, 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 period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Change of Assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 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 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

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

In determining the long-term expected rate of return, staff took into account both short-term and long term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, 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 fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

C.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Year 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's 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:

	<u>Safety - Police</u>
1% Decrease	6.65%
Net Pension Liability	\$ 20,834,605
Current Discount Rate	7.65%
Net Pension Liability	\$ 13,979,217
1% Increase	8.65%
Net Pension Liability	\$ 8,357,925

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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 DEFERRED COMPENSATION PLANS

The City offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 as follows:

Full-time employees

This plan is available to all City full-time employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Part-time employees

This plan covers part-time employees, who in lieu of paying FICA, contribute 7.5 percent of their earnings as retirement benefits.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City deducts deferred compensation from employee compensation and forwards it to the Plan's administrator on a semi-monthly basis. The City amended its plan in order to conform to the amendments of the Internal Revenue Code. The amendments provide that the assets of the Plan shall be held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purposes. The City has little administrative involvement, does not have custody of the assets, and does not perform the investing function. In addition, the City has no liability for any losses that may be incurred by the Plan.

NOTE 13 COMMITMENTS AND CONTINGENCIES

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves.

NOTE 14 NET POSITION AND FUND BALANCES

GASB Statement No. 34 adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

a. Net Position

Net position is divided into three classifications under GASB Statement No. 34. These classifications apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 NET POSITION AND FUND BALANCES (Continued)

a. Net Position (Continued)

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

The government-wide statement of net position reports \$18,506,171 of restricted net position.

b. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the next page.

Fund Balances	General	Successor Housing Authority	Housing	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid expenditures	\$ 2,457	\$ -	\$ -	\$ -	\$ 2,457
Total Nonspendable	<u>2,457</u>				<u>2,457</u>
<u>Restricted for:</u>					
Housing		1,985,486	1,472,095		3,457,581
Law enforcement				1,074,991	1,074,991
Public health				273,477	273,477
Road improvements	43,690			32,416	76,106
Total Restricted	<u>43,690</u>	<u>1,985,486</u>	<u>1,472,095</u>	<u>1,380,884</u>	<u>4,882,155</u>
Unassigned:	<u>3,901,949</u>			<u>(1,460,087)</u>	<u>2,441,862</u>
Total Fund Balances	<u>\$ 3,948,096</u>	<u>\$ 1,985,486</u>	<u>\$ 1,472,095</u>	<u>\$ (79,203)</u>	<u>\$ 7,326,474</u>

NOTE 15 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 Eureka 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 other 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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

After enactment of the law, which occurred 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 as the date of the 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 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 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 activity of the redevelopment agency continued to be reported in the governmental funds of the City. 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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Capital Asset activity for the fiscal year ended June 30, 2016 was as follows:

Private Purpose Trust

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016
Capital assets, not being depreciated:				
Artwork	\$ 53,702	\$ -	\$ -	\$ 53,702
Total capital assets, not being depreciated	53,702			53,702
Capital assets, being depreciated:				
Buildings	1,945,282			1,945,282
Machinery and equipment	181,628			181,628
Total capital assets being depreciated	2,126,910			2,126,910
Less accumulated depreciation for:				
Buildings	(145,896)	(48,632)		(194,528)
Machinery and equipment	(27,243)	(9,081)		(36,324)
Total accumulated depreciation	(173,139)	(57,713)		(230,852)
Total capital assets being depreciated, net	1,953,771	(57,713)		1,896,058
Capital assets, net	\$ 2,007,473	\$ (57,713)	\$ -	\$ 1,949,760

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Revenue Bonds Payable					
2003 Tax Allocation Revenue Bonds	\$ 12,125,000	\$ -	\$ (1,125,000)	\$ 11,000,000	\$ 1,175,000
2010 Lease Revenue Bonds Series A	4,600,000		(135,000)	4,465,000	140,000
2010 Lease Revenue Bonds Series B	4,095,000		(50,000)	4,045,000	50,000
Total Bonds Payable	20,820,000		(1,310,000)	19,510,000	1,365,000
Bond Discount	(102,500)		4,144	(98,356)	(4,144)
Advance payable to City	2,607,535		(301,831)	2,305,704	
California Infrastructure Bank Loan	1,352,310		(118,889)	1,233,421	122,254
Total	\$ 24,677,345	\$ -	\$ (1,726,576)	\$ 22,950,769	\$ 1,483,110

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Revenue Bonds

2003 Tax Allocation Revenue Refunding Bonds, issued by Eureka Public Financing Authority (Authority), in the amount of \$15,250,000. The bond issue consisted of the following: \$15,250,000 serial bonds carrying interest rates of 4.00% to 4.80% and maturing in annual increments of \$1,000,000 to \$1,600,000 with maturity dates of November 1 each year from 2012 through 2023. The outstanding balance as of June 30, 2016 was \$11,000,000.

These bonds are secured by a first lien on and pledge of all the amounts payable by the Agency and the Authority pursuant to loan agreements between the Agency and the Authority, and other revenues specified in the indenture. Each loan agreement is secured by a first pledge of and lien on the incremental tax revenues received by the Agency from redevelopment project areas. Each loan is additionally secured by a first and exclusive pledge of and lien upon all of the money held in the Reserve Account established with respect to the related loan. These bonds are payable solely from the revenues discussed in this paragraph and are not secured by the general taxing power of the City of Eureka.

Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,175,000	\$ 478,043	\$ 1,653,043
2018	1,225,000	427,030	1,652,030
2019	1,280,000	372,533	1,652,533
2020	1,335,000	313,669	1,648,669
2021	1,395,000	250,528	1,645,528
2022-2023	4,590,000	335,323	4,925,323
	<u>\$ 11,000,000</u>	<u>\$ 2,177,126</u>	<u>\$ 13,177,126</u>

The Eureka Public Financing Authority also issued two series of bonds in January 2010.

The 2010 Lease Revenue Bonds, Series A (Taxable) were issued in the amount of \$4,960,000. The purpose of this issue was to pay off an advance owed to the City of Eureka's General Fund in the amount of \$3,584,373. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 5.5% to 8.0%. The bond issue matures in annual increments with maturity dates on November 1 of each year from 2012 through 2032, the termination date of the Eureka Redevelopment Agency (Agency) at which time the remaining balance becomes due. The bonds were issued with \$89,468 discount. The outstanding balance as of June 30, 2016 was \$4,465,000.

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Revenue Bonds (Continued)

The 2010 Lease Revenue Bonds, Series B (Tax Exempt) were issued in the amount of \$4,235,000. The purpose of this issue was to finance the costs of certain public capital improvements within the Redevelopment project area to include improvements to the Boardwalk with the construction of the C Street Market Square and the Fishermen's Terminal Building. A portion of the proceeds will also be used to repay a note payable from the Eureka Redevelopment Agency to the City of Eureka Wastewater Fund. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 2.25% to 5.875%. The bond issue matures in annual increments with maturity dates on November 1 of each fiscal year from 2012 through 2037, the termination date of the agency, at which time the remaining balance becomes due. The outstanding balance as of June 30, 2016 was \$4,045,000.

Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series A Bonds		Series B Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 140,000	\$ 338,550	\$ 50,000	\$ 231,011	\$ 190,000	\$ 569,561
2018	150,000	328,400	55,000	228,783	205,000	557,183
2019	160,000	317,550	55,000	226,343	215,000	543,893
2020	170,000	306,000	60,000	223,665	230,000	529,665
2021	185,000	293,575	60,000	220,725	245,000	514,300
2022-2026	1,140,000	1,234,876	365,000	1,047,864	1,505,000	2,282,740
2027-2031	1,655,000	697,800	480,000	930,200	2,135,000	1,628,000
2032-2036	865,000	70,600	2,190,000	634,794	3,055,000	705,394
2037			730,000	21,444	730,000	21,444
Totals	\$ 4,465,000	\$ 3,587,351	\$ 4,045,000	\$ 3,764,829	\$ 8,510,000	\$ 7,352,180

Intergovernmental Loan

California Infrastructure Bank Loan (I-Bank)

On February 1, 2008, the Eureka Redevelopment Agency (Agency) entered into an agreement with I-Bank to borrow \$2,000,000 at 2.83% to construct C Street Market Square.

Loan proceeds are disbursed to the Agency as capital costs are incurred and submitted. Annual principal payments and semi-annual interest payments are due through November 2024. The agency will be credited for interest on undisbursed proceeds at 2.83%. A loan initiation fee of \$17,000 is being amortized over the seventeen years of the loan. The amount outstanding as of June 30, 2016 was \$1,233,421.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Intergovernmental Loan (Continued)

The following is the debt service schedule:

Fiscal Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 122,254	\$ 33,176	\$ 155,430
2018	125,714	29,667	155,381
2019	129,271	26,059	155,330
2020	132,930	22,349	155,279
2021	136,692	18,534	155,226
2022-2026	586,560	33,780	620,340
	<u>\$ 1,233,421</u>	<u>\$ 163,565</u>	<u>\$ 1,396,986</u>

Advances to/from City of Eureka

Due to the State SERAF payment requirement during fiscal year 2010, the Redevelopment Agency Debt Service Fund had insufficient cash to make the payment. Borrowing from the Redevelopment Low and Moderate Housing Special Revenue Fund was authorized by State SERAF legislation. The fund will repay the Housing Fund by June 2016. The outstanding balance as of June 30, 2016 was \$656,101.

The Redevelopment Agency Debt Service Fund borrowed funds from the Water Fund for water redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2016 was \$131,369.

The Redevelopment Agency Debt Service Fund borrowed funds from the Wastewater Fund for wastewater redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2016 was \$1,518,234.

NOTE 16 PRIOR PERIOD ADJUSTMENTS

The following summarizes the effect of the prior period adjustments to beginning net position as of July 1, 2015:

Reason for adjustments	Business-type Activities	Proprietary Fund Transit Enterprise Fund
(Overstatement) of receivables	\$ (131,837)	\$ (131,837)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EUREKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 21,374,318	\$ 21,374,318	\$ 22,243,009	\$ 868,691
Licenses, permits, and fees	1,267,800	1,267,800	1,282,621	14,821
Fines and penalties	206,142	206,142	224,087	17,945
Investment income	4,000	4,000	22,783	18,783
Intergovernmental	2,246,510	2,246,510	2,479,323	232,813
Charges for services	4,885,324	4,885,324	4,777,660	(107,664)
Other revenues	108,959	108,959	156,835	47,876
Total Revenues	<u>30,093,053</u>	<u>30,093,053</u>	<u>31,186,318</u>	<u>1,093,265</u>
Expenditures:				
General government-				
Council	121,650	121,650	122,538	(888)
Mayor	28,442	28,442	27,601	841
City Manager	277,610	277,610	282,402	(4,792)
City Clerk	266,048	266,048	257,426	8,622
Human Resources	501,271	501,271	499,067	2,204
Finance	575,875	575,875	617,477	(41,602)
City Attorney	574,673	574,673	521,557	53,116
Non-departmental	1,487,144	1,487,144	1,495,692	(8,548)
Public safety-				
Police	11,564,344	11,564,344	10,979,924	584,420
Fire	6,221,546	6,221,546	6,523,746	(302,200)
Public works-				
Engineering	401,531	401,531	388,315	13,216
Maintenance	1,338,993	1,338,993	1,242,571	96,422
Community development	1,241,562	1,241,562	1,053,715	187,847
Culture and recreation	3,508,613	3,508,613	3,459,113	49,500
Capital outlay	492,000	572,168	640,550	(68,382)
Debt service -				
Principal payments	1,173,589	1,173,589	1,174,863	(1,274)
Interest and fiscal charges	28,556	28,556	28,586	(30)
Total Expenditures	<u>29,803,447</u>	<u>29,883,615</u>	<u>29,315,143</u>	<u>568,472</u>
Excess of revenues over (under) expenditures	289,606	209,438	1,871,175	1,661,737
Fund Balance, beginning of fiscal year	<u>2,076,921</u>	<u>2,076,921</u>	<u>2,076,921</u>	
Fund Balance, end of fiscal year	<u>\$ 2,366,527</u>	<u>\$ 2,286,359</u>	<u>\$ 3,948,096</u>	<u>\$ 1,661,737</u>

CITY OF EUREKA
 SUCCESSOR HOUSING AUTHORITY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 708,754	\$ 708,754
Other revenues			280,634	280,634
Total Revenues			989,388	989,388
Expenditures:				
Current:				
Community development	146,876	396,876	183,494	213,382
Total Expenditures	146,876	396,876	183,494	213,382
Excess of Revenues Over (Under) Expenditures	(146,876)	(396,876)	805,894	1,202,770
Fund Balance, beginning of fiscal year	1,179,592	1,179,592	1,179,592	
Fund Balance, end of fiscal year	<u>\$ 1,032,716</u>	<u>\$ 782,716</u>	<u>\$ 1,985,486</u>	<u>\$ 1,202,770</u>

CITY OF EUREKA
HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,663,644	\$ 5,663,644	\$ 3,186,274	\$ (2,477,370)
Other revenues			276,461	276,461
Total Revenues	<u>5,663,644</u>	<u>5,663,644</u>	<u>3,462,735</u>	<u>(2,200,909)</u>
Expenditures:				
Current:				
Community development	<u>6,009,644</u>	<u>6,034,644</u>	<u>3,445,030</u>	<u>2,589,614</u>
Total Expenditures	<u>6,009,644</u>	<u>6,034,644</u>	<u>3,445,030</u>	<u>2,589,614</u>
Excess of Revenues Over (Under) Expenditures	(346,000)	(371,000)	17,705	388,705
Fund Balance, beginning of fiscal year	<u>1,454,390</u>	<u>1,454,390</u>	<u>1,454,390</u>	
Fund Balance, end of fiscal year	<u><u>\$ 1,108,390</u></u>	<u><u>\$ 1,083,390</u></u>	<u><u>\$ 1,472,095</u></u>	<u><u>\$ 388,705</u></u>

CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA)/(AAL)	Annual Covered Payroll	UAAL as a Percentage of Covered payroll
6/30/1996	\$ 1,500,695	\$ 6,955,634	\$ 5,454,939	21.6%	N/A	N/A
6/30/1997	1,486,314	6,851,822	5,365,508	21.7%	N/A	N/A
6/30/1998	1,477,862	7,013,672	5,535,810	21.1%	N/A	N/A
6/30/1999	1,177,209	6,883,361	5,706,152	17.1%	N/A	N/A
6/30/2000	1,271,710	6,178,799	4,907,089	20.6%	N/A	N/A
6/30/2001	1,426,952	6,078,866	4,651,914	23.5%	N/A	N/A
6/30/2002	1,521,478	6,648,840	5,127,362	22.9%	N/A	N/A
6/30/2003	1,310,755	6,517,915	5,207,160	20.1%	N/A	N/A
6/30/2004	1,253,920	5,749,458	4,495,538	21.8%	N/A	N/A
6/30/2005	875,905	5,599,704	4,723,799	15.6%	N/A	N/A
6/30/2006	904,323	4,985,969	4,081,646	18.1%	N/A	N/A
6/30/2007	1,284,477	4,806,301	3,521,524	26.7%	N/A	N/A
6/30/2008	849,471	4,959,400	4,109,929	17.1%	N/A	N/A
6/30/2009	634,937	4,740,136	4,105,199	13.4%	N/A	N/A
6/30/2010	348,920	4,926,194	4,577,274	7.1%	N/A	N/A
6/30/2011	15,016	4,682,353	4,667,337	0.3%	N/A	N/A
6/30/2012	51,919	4,020,040	3,968,121	1.3%	N/A	N/A
6/30/2013	25,252	3,792,045	3,766,793	0.7%	N/A	N/A
6/30/2014	46,751	3,565,386	3,518,635	1.3%	N/A	N/A
6/30/2015	4,771	3,345,646	3,340,875	0.1%	N/A	N/A
6/30/2016	(1,702)	3,625,385	3,627,087	0.0%	N/A	N/A

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)
(Continued)

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
1996	\$ 590,693	85%
1997	590,693	69%
1998	616,275	69%
1999	616,275	24%
2000	556,724	90%
2001	556,724	90%
2002	607,686	68%
2003	607,686	74%
2004	571,992	74%
2005	(121,420)	100%
2006	(163,025)	100%
2007	(121,366)	100%
2008	(88,525)	100%
2009	(31,650)	100%
2010	8,496	100%
2011	12,791	100%
2012	(24,914)	100%
2013	(45,499)	100%
2014	(42,325)	100%
2015	15,251	100%
2016	40,126	100%

Information as of the latest actuarial valuation follows:

Valuation date	July 1, 2016 (June 30, 2016)
Actuarial cost method	Entry Age
Amortization method	Straight Line Amortization – Closed
Remaining amortization period	40 year period beginning with the date of initial funding method (7/1/1975)
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	3.0%
Projected salary increases	2.0%

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*
Miscellaneous Plan**

Schedule of Changes in the Net Pension Liability and Related Ratios

	Miscellaneous Plan 2016	Miscellaneous Plan 2015
	2014-15¹	2013-14¹
Measurement Period		
Total Pension Liability		
Service Cost	\$ 1,554,810	\$ 1,692,491
Interest on the Total Pension Liability	6,520,030	6,305,116
Change of Assumptions	(1,505,340)	-
Differences between Expected and Actual Experience	(906,323)	-
Benefit Payments, including Refunds of Employee Contributions	(4,560,948)	(4,151,414)
Net Change in Total Pension Liability	1,102,229	3,846,193
Total Pension Liability - Beginning	89,143,879	85,297,686
Total Pension Liability - Ending (a)	\$ 90,246,108	\$ 89,143,879
Plan Fiduciary Net Position		
Contributions from the Employer	\$ 1,988,547	\$ 2,166,174
Contributions from the Employees	670,876	698,583
Net investment income ²	1,454,617	9,486,624
Benefit Payments	(4,560,948)	(4,151,414)
Plan to Plan Resource Movement	(914,730)	-
Administrative Expense	(71,224)	-
Net Change in Plan Fiduciary Net Position	(1,432,862)	8,199,967
Plan Fiduciary Net Position - Beginning	63,221,061	55,021,094
Plan Fiduciary Net Position - Ending (b)	\$ 61,788,199	\$ 63,221,061
Net Pension Liability - Ending (a)-(b)	\$ 28,457,909	\$ 25,922,818
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.47%	70.92%
Covered Employee Payroll ³	\$ 8,762,456	\$ 8,774,837
Net Pension Liability as Percentage of Covered Employee Payroll	324.77%	295.42%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Net of administrative expenses.

³ Net of administrative expenses. Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Note to Schedule:

Benefit Changes: The figures above do not include any liability impact may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*
Miscellaneous Plan**

Schedule of Contributions¹

	Miscellaneous Plan Fiscal Year 2015-16	Miscellaneous Plan Fiscal Year 2014-15
Actuarially Determined Contribution ²	\$ 2,048,588	\$ 1,659,010
Contributions in Relation to the Actuarially Determined Contribution ²	(2,048,588)	(1,659,010)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll ³	\$ 8,762,456	\$ 8,774,837
Contributions as a Percentage of Covered Employee Payroll ³	23.38%	18.91%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years*
Safety Plan**

Schedule of Plan's Proportionate Share of the Net Pension Liability and Related Ratios

	<u>Safety Plan-Police</u> <u>2016 ¹</u>	<u>Safety Plan-Police</u> <u>2015 ¹</u>
Plan's proportion of the Net Pension Liability (Asset)	0.16052%	0.20332%
Plan's proportionate share of the Net Pension Liability (Asset)	\$ 13,979,217	\$ 12,651,826
Covered employee payroll ²	\$ 3,788,120	3,664,127
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	369.03%	345.29%
Plan's fiduciary net position	\$ 12,930,427	\$ 7,024,877
Plan's proportionate share of the Fiduciary Net Pension Liability (Asset) as a percentage of the Plan's Total Pension Liability	92.50%	55.52%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years*
Safety Plan**

Schedule of Contributions¹

	Safety Plan - Police Fiscal Year 2015-16	Safety Plan - Police Fiscal Year 2014-15
Actuarially Determined Contribution ²	\$ 1,550,480	\$ 1,695,798
Contributions in Relation to the Actuarially Determined Contribution ²	(1,550,480)	(1,695,798)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll ³	\$ 3,788,120	\$ 3,664,127
Contributions as a Percentage of Covered Employee Payroll ³	40.93%	46.28%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

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NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government. The Special Revenue Funds of the City are:

- **Gas Tax/State Highway Funds** – These funds are required by state law to account for gas tax monies allocated by the State. Taxes levied by the State on gasoline and other motor fuels are allocated among cities, counties, and the State. The funds can be used for street and road expenditures, as defined by state law. Occasionally, other street and road related grants are receipted into these funds. Other revenues include State Highway funds traded for Federal ISTEA funds (per California Senate Bill 1435). The funds can be used for the same purposes as gas tax funds (see above). Under SB 45, the State Transportation Improvement Plan provides funding for approved local street projects. Revenues are derived from both state and federal funds. Revenue received from CalTrans through the sale of property to fund projects that provide congestion relief for travel through the City is also allocated here. These funds are also used to account for revenue received from the State for the purpose of street and highway pavement maintenance, rehabilitation, and reconstruction of necessary associated facilities such as drainage and traffic devices.
- **Habitat Acquisition and Restoration Fund** – This fund is used to account for grants and other funds restricted or designated specially for acquisition, restoration, or mitigation projects approved by the City.
- **Environmental Programs Fund** – Revenues to this fund are restricted by law for implementation of various environmental programs throughout the City, particularly solid waste source reduction.
- **Special Police Funds** – These funds are used to account for revenues from several programs which are restricted as to use for police programs. These include drug asset forfeitures, vehicle theft funds, the State supplemental law enforcement services program, traffic offender funds, abandoned vehicle abatement funds, and the California law enforcement equipment program fund.
- **Parking Fund** – Revenues to this fund consist primarily of parking fees and fines that are used for the maintenance of parking lots, signs, meters and enforcement activities.
- **Capital Improvements Fund** – Revenues to this fund include state and federal grants and transfers from other City funds designated by Council action to be used for specified capital maintenance/improvement projects.
- **Demolition Projects Fund** – Revenues to this fund consist primarily of transfers from the General Fund and are to be used for abatement actions authorized by the Municipal Code or by the Uniform Building Code.
- **Airport Fund** – Revenues to this fund are restricted by law for maintenance and capital improvements at the Eureka Municipal Airport.
- **Special Fire Funds** – These funds receive revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, and grants and response charges to operate the Hazmat response team.

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016**

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
Assets					
Cash and investments	\$ -	\$ -	\$ 212,978	\$ 741,504	\$ 6,945
Accounts receivable	39,262	140,526	61,856	63,328	
Total Assets	<u>\$ 39,262</u>	<u>\$ 140,526</u>	<u>\$ 274,834</u>	<u>\$ 804,832</u>	<u>\$ 6,945</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 124,877	\$ 3,392	\$ 1,357	\$ 18,371	\$ 5,211
Due to other funds	87,949	109,272			
Payroll and related liabilities	7,528			1,200	1,782
Total Liabilities	<u>220,354</u>	<u>112,664</u>	<u>1,357</u>	<u>19,571</u>	<u>6,993</u>
Fund Balances:					
Restricted		27,862	273,477	785,261	
Unassigned	(181,092)				(48)
Total Fund Balances (Deficit)	<u>(181,092)</u>	<u>27,862</u>	<u>273,477</u>	<u>785,261</u>	<u>(48)</u>
Total Liabilities and Fund Balances	<u>\$ 39,262</u>	<u>\$ 140,526</u>	<u>\$ 274,834</u>	<u>\$ 804,832</u>	<u>\$ 6,945</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Total Nonmajor Governmental Funds
\$ 1,008	\$ -	\$ -	\$ 289,730	\$ 1,252,165
4,804	41,924	2,650		354,350
<u>\$ 5,812</u>	<u>\$ 41,924</u>	<u>\$ 2,650</u>	<u>\$ 289,730</u>	<u>\$ 1,606,515</u>
\$ -	\$ 34,791	\$ 292	\$ -	\$ 188,291
1,258	1,277,073	11,258		1,486,810
		107		10,617
<u>1,258</u>	<u>1,311,864</u>	<u>11,657</u>		<u>1,685,718</u>
4,554			289,730	1,380,884
	(1,269,940)	(9,007)		(1,460,087)
<u>4,554</u>	<u>(1,269,940)</u>	<u>(9,007)</u>	<u>289,730</u>	<u>(79,203)</u>
<u>\$ 5,812</u>	<u>\$ 41,924</u>	<u>\$ 2,650</u>	<u>\$ 289,730</u>	<u>\$ 1,606,515</u>

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
REVENUES					
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ 54,999
Fines and penalties				104,244	72,041
Intergovernmental	834,908	175,069	169,501	388,256	
Charges for services				14,614	
Other revenues				3,846	
Total Revenues	834,908	175,069	169,501	510,960	127,040
EXPENDITURES					
Current:					
Public safety				85,693	64,511
Public works	1,035,402	38,350	55,534		70,856
Capital outlay	398,915			162,359	
Total Expenditures	1,434,317	38,350	55,534	248,052	135,367
Excess of Revenues Over (Under) Expenditures	(599,409)	136,719	113,967	262,908	(8,327)
Fund Balances (Deficits), beginning of fiscal year	418,317	(108,857)	159,510	522,353	8,279
Fund Balances (Deficits), end of fiscal year	<u>\$ (181,092)</u>	<u>\$ 27,862</u>	<u>\$ 273,477</u>	<u>\$ 785,261</u>	<u>\$ (48)</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 54,999
				176,285
				1,567,734
				14,614
	21,430	11,725	220	37,221
	21,430	11,725	220	1,850,853
				150,204
	88,950	65,608		1,354,700
				561,274
	88,950	65,608		2,066,178
	(67,520)	(53,883)	220	(215,325)
4,554	(1,202,420)	44,876	289,510	136,122
\$ 4,554	\$ (1,269,940)	\$ (9,007)	\$ 289,730	\$ (79,203)

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Gas Tax / State Highway			Habitat Acquisition and Restoration		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income						
Intergovernmental	686,725	834,908	148,183		175,069	175,069
Charges for services						
Other revenues						
Total Revenues	686,725	834,908	148,183		175,069	175,069
Expenditures:						
Current:						
Public safety						
Public works	1,112,198	1,035,402	76,796	130,906	38,350	92,556
Community development						
Capital outlay	1,786,858	398,915	1,387,943			
Total Expenditures	2,899,056	1,434,317	1,464,739	130,906	38,350	92,556
Excess of Revenues Over (Under) Expenditures	(2,212,331)	(599,409)	1,612,922	(130,906)	136,719	267,625
Fund Balances (Deficits), beginning of fiscal year	418,317	418,317		(108,857)	(108,857)	
Fund Balances (Deficits), end of fiscal year	<u><u>\$ (1,794,014)</u></u>	<u><u>\$ (181,092)</u></u>	<u><u>\$ 1,612,922</u></u>	<u><u>\$ (239,763)</u></u>	<u><u>\$ 27,862</u></u>	<u><u>\$ 267,625</u></u>

Environmental Programs			Special Police			Parking		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,130	\$ 54,999	\$ (11,131)
				104,244	104,244	108,000	72,041	(35,959)
45,000	169,501	124,501	150,000	388,256	238,256			
			30,000	14,614	(15,386)			
				3,846	3,846			
45,000	169,501	124,501	180,000	510,960	330,960	174,130	127,040	(47,090)
			150,088	85,693	64,395	103,418	64,511	38,907
59,248	55,534	3,714				74,337	70,856	3,481
			503,215	162,359	340,856			
59,248	55,534	3,714	653,303	248,052	405,251	177,755	135,367	42,388
(14,248)	113,967	128,215	(473,303)	262,908	736,211	(3,625)	(8,327)	(4,702)
159,510	159,510		522,353	522,353		8,279	8,279	
<u>\$ 145,262</u>	<u>\$ 273,477</u>	<u>\$ 128,215</u>	<u>\$ 49,050</u>	<u>\$ 785,261</u>	<u>\$ 736,211</u>	<u>\$ 4,654</u>	<u>\$ (48)</u>	<u>\$ (4,702)</u>

(Continued)

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income						
Intergovernmental						
Charges for services						
Other revenues					21,430	21,430
Total Revenues					21,430	21,430
Expenditures:						
Current:						
Public safety						
Public works				37,009	88,950	(51,941)
Capital outlay						
Total Expenditures				37,009	88,950	(51,941)
Excess of Revenues Over (Under) Expenditures				(37,009)	(67,520)	(30,511)
Fund Balances (Deficits), beginning of fiscal year	4,554	4,554		(1,202,420)	(1,202,420)	
Fund Balances (Deficits), end of fiscal year	<u>\$ 4,554</u>	<u>\$ 4,554</u>	<u>\$ -</u>	<u>\$ (1,239,429)</u>	<u>\$ (1,269,940)</u>	<u>\$ (30,511)</u>

Airport			Special Fire		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,000	11,725	725		220	220
11,000	11,725	725		220	220
64,385	65,608	(1,223)			
64,385	65,608	(1,223)			
(53,385)	(53,883)	(498)		220	220
44,876	44,876		289,510	289,510	
\$ (8,509)	\$ (9,007)	\$ (498)	\$ 289,510	\$ 289,730	\$ 220

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

- **Equipment Operations Fund** - This fund was established as an internal service fund through which City departments are charged for the use of vehicles and other equipment, based on actual operating costs. In addition, rates for vehicles and heavy equipment include a depreciation contribution factor to establish a reserve for future replacement.

- **Risk Management Fund** - This fund is used to account for the City's workers' compensation program, general liability and property insurance program, and group health program. In March, 1993 the City joined the Redwood Empire Municipal Insurance Fund for its workers' compensation and liability insurance programs, changing from self-insurance to a municipal insurance pool. The City will continue to administer worker's compensation claims from prior to March, 1993, and existing liability claims. In August 2002, the City changed from its group health self-insurance program and joined three separate municipal insurance pools that are dependent on the respective employees' bargaining unit. Prior claims were paid through May 2003.

- **Information Technology Operations Fund** - This fund was established to develop a reserve account for information technology equipment and software and will be used to fund future equipment and major software replacements based on an analysis of future needs. Each department is assessed an annual amount that will provide adequate funds to replace current computer and related equipment. In addition, the fund provides City-wide support for all office automation equipment.

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2016

ASSETS	Equipment Operations	Risk Management	Information Technology Operations	Totals
Current assets:				
Cash and investments	\$ 2,276,869	\$ -	\$ 834,810	\$ 3,111,679
Accounts receivable - net	7,500	2,460		9,960
Prepaid expenses		20,000		20,000
Total current assets	<u>2,284,369</u>	<u>22,460</u>	<u>834,810</u>	<u>3,141,639</u>
Capital Assets:				
Depreciable				
Buildings	429,246			429,246
Improvements	31,236			31,236
Equipment	7,410,262		1,441,376	8,851,638
Total depreciable capital assets	7,870,744		1,441,376	9,312,120
Less accumulated depreciation	<u>(6,697,997)</u>		<u>(1,257,962)</u>	<u>(7,955,959)</u>
Total capital assets, net	<u>1,172,747</u>		<u>183,414</u>	<u>1,356,161</u>
Total Assets	<u>3,457,116</u>	<u>22,460</u>	<u>1,018,224</u>	<u>4,497,800</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	105,788		54,624	160,412
Total deferred outflows of resources	<u>105,788</u>		<u>54,624</u>	<u>160,412</u>
Total Assets and Deferred Outflows of Resources	<u>3,562,904</u>	<u>22,460</u>	<u>1,072,848</u>	<u>4,658,212</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	71,240	73,441	173,102	317,783
Due to other funds		612,938		612,938
Claims and judgments payable		254,061		254,061
Capital lease payable, current portion			58,745	58,745
Compensated absences	39,838		7,375	47,213
Payroll and related liabilities	14,355		7,837	22,192
Total current liabilities	<u>125,433</u>	<u>940,440</u>	<u>247,059</u>	<u>1,312,932</u>
Noncurrent Liabilities:				
Net pension liabilities	1,439,847		761,879	2,201,726
Total noncurrent liabilities	<u>1,439,847</u>		<u>761,879</u>	<u>2,201,726</u>
Total liabilities	<u>1,565,280</u>	<u>940,440</u>	<u>1,008,938</u>	<u>3,514,658</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	80,851		58,652	139,503
Total deferred inflows of resources	<u>80,851</u>		<u>58,652</u>	<u>139,503</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,646,131</u>	<u>940,440</u>	<u>1,067,590</u>	<u>3,654,161</u>
NET POSITION				
Net investment in capital assets	1,172,747		183,414	1,356,161
Unrestricted	744,026	(917,980)	(178,156)	(352,110)
Total Net Position (Deficits)	<u>\$ 1,916,773</u>	<u>\$ (917,980)</u>	<u>\$ 5,258</u>	<u>\$ 1,004,051</u>

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Operating Revenues:				
Charges for services	\$ 1,847,547	\$ 2,044,364	\$ 1,333,737	\$ 5,225,648
Other operating revenues	18,928			18,928
Total Operating Revenues	1,866,475	2,044,364	1,333,737	5,244,576
Operating Expenses:				
Maintenance and operation	1,380,272	33,691	928,433	2,342,396
Administration				
Insurance costs and claims	40,675	1,645,095		1,685,770
Depreciation	312,969		180,541	493,510
Total Expenses	1,733,916	1,678,786	1,108,974	4,521,676
Operating Income (Loss)	132,559	365,578	224,763	722,900
Non-Operating Revenues (Expenses)				
Gain(Loss) on sales of capital assets	(4,435)			(4,435)
Interest expense			(3,268)	(3,268)
Total Non-Operating Revenues/(Expenses)	(4,435)		(3,268)	(7,703)
Change in Net Position	128,124	365,578	221,495	715,197
Net Position (Deficits), beginning of fiscal year	1,788,649	(1,283,558)	(216,237)	288,854
Net Position (Deficits), end of fiscal year	\$ 1,916,773	\$ (917,980)	\$ 5,258	\$ 1,004,051

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Cash Flows from Operating Activities:				
Receipts from customers/interfund charges	\$ 1,858,975	\$ 2,051,095	\$ 1,333,737	\$ 5,243,807
Payments to suppliers and users	(814,492)	(1,726,207)	(726,872)	(3,267,571)
Payments to employees	(589,934)		(300,074)	(890,008)
Net Cash Provided (Used) by Operating Activities	<u>454,549</u>	<u>324,888</u>	<u>306,791</u>	<u>1,086,228</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments - long-term debt			(57,133)	(57,133)
Interest paid			(3,268)	(3,268)
Acquisitions of capital assets	(289,857)			(289,857)
Proceeds from the sale of city property	(4,435)			(4,435)
Net Cash Used by Capital and Related Financing Activities	<u>(294,292)</u>		<u>(60,401)</u>	<u>(354,693)</u>
Net Increase in Cash and Cash Equivalents	160,257		246,390	406,647
Cash and Cash Equivalents, July 1, 2015	<u>2,116,612</u>		<u>588,420</u>	<u>2,705,032</u>
Cash and Cash Equivalents, June 30, 2016	<u>\$ 2,276,869</u>	<u>\$ -</u>	<u>\$ 834,810</u>	<u>\$ 3,111,679</u>
Cash and Investments on Combining Statement of Net Position	<u>\$ 2,276,869</u>	<u>\$ -</u>	<u>\$ 834,810</u>	<u>\$ 3,111,679</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 132,559	\$ 365,578	\$ 224,763	\$ 722,900
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:				
Depreciation	312,969		180,541	493,510
(Increase) Decrease in Operating Assets:				
Accounts receivable	(7,500)	6,731		(769)
Deferred outflows of resources - pensions	(23,375)		(10,051)	(33,426)
Increase (Decrease) in Operating Liabilities:				
Claims and judgments payable		63,904		63,904
Accounts payable	20,066	(111,325)	(95,410)	(186,669)
Compensated absences	1,971		(2,018)	(47)
Deferred inflows of resources - pensions	(134,623)		(57,887)	(192,510)
Net pension liability	152,105		65,405	217,510
Payroll and related liabilities	377		1,448	1,825
Net Cash Provided by Operating Activities	<u>\$ 454,549</u>	<u>\$ 324,888</u>	<u>\$ 306,791</u>	<u>\$ 1,086,228</u>

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FIDUCIARY FUNDS

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PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for the receipt and disbursements of various taxes, deposits, deductions, and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations. Fiduciary fund financial statements include a statement of net position and statement of changes in net position.

The Private-Purpose Trust Funds are used to account for assets held by the City as an agent for other governmental units.

- **Hazardous Material Response Authority Fund** – This fund receives revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, grants and response charges to operate the Hazmat response team.

Private-Purpose Trust Funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor Agency.

- **Successor Agency Administration Fund** – This fund was established to account for administrative services provided by the City to the former Redevelopment Agency.

- **Successor Agency Capital Project Fund** – This fund was established to account for the capital improvements of the former Redevelopment Agency which are financed by proceeds of tax allocation bonds and City advances.

- **Successor Agency Debt Service Fund** – This fund are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest of the former Redevelopment Agency.

**CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2016**

	Hazardous Material Response Authority	Successor Agency Capital Project	Successor Agency Debt Service	Totals
Assets:				
Cash and Investments	\$ 56,003	\$ -	\$ 1,584,008	\$ 1,640,011
Cash and Investments with Fiscal Agent, Restricted		293,824	779,382	1,073,206
Other Receivable		16,600		16,600
Due from Other Funds			238,821	238,821
Land Held for Resale		4,488,678		4,488,678
Capital Assets, Not Being Depreciated		53,702		53,702
Capital Assets, Net of Accumulated Depreciation		1,896,058		1,896,058
Total Assets	<u>56,003</u>	<u>6,748,862</u>	<u>2,602,211</u>	<u>9,407,076</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred loss on refunding			20,269	20,269
Liabilities:				
Accounts Payable	7,640		249	7,889
Payroll Payable		15	1,145	1,160
Interest Payable			185,518	185,518
Due to Other Funds		238,821		238,821
Unearned Revenue			1,769,233	1,769,233
Noncurrent Liabilities:				
Due within One Year			1,483,110	1,483,110
Due in More than One Year			21,467,659	21,467,659
Total Liabilities	<u>7,640</u>	<u>238,836</u>	<u>24,906,914</u>	<u>25,153,390</u>
Net Position:				
Unrestricted	48,363	6,510,026	(22,284,434)	(15,726,045)
Total Net Position (Deficits)	<u>\$ 48,363</u>	<u>\$ 6,510,026</u>	<u>\$ (22,284,434)</u>	<u>\$ (15,726,045)</u>

**CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Hazardous Material Response Authority	Successor Agency Capital Project	Successor Agency Debt Service	Totals
Additions:				
Taxes	\$ -	\$ -	\$ 3,840,400	\$ 3,840,400
Investment income		892	2,367	3,259
Total Additions		<u>892</u>	<u>3,842,767</u>	<u>3,843,659</u>
Deductions:				
Administration			163,610	163,610
Depreciation		57,713		57,713
Community development		146,907	930,384	1,077,291
Public safety	84,242			84,242
Interest expense			1,207,017	1,207,017
Pass-through payments			13,665	13,665
Total Deductions	<u>84,242</u>	<u>204,620</u>	<u>2,314,676</u>	<u>2,603,538</u>
Change in Net Position	(84,242)	(203,728)	1,528,091	1,240,121
Net Position (Deficits), beginning of fiscal year	<u>132,605</u>	<u>6,713,754</u>	<u>(23,812,525)</u>	<u>(16,966,166)</u>
Net Position (Deficits), end of fiscal year	<u>\$ 48,363</u>	<u>\$ 6,510,026</u>	<u>\$ (22,284,434)</u>	<u>\$ (15,726,045)</u>

**CITY OF EUREKA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Trust Holding Fund</u>				
<u>Assets:</u>				
Cash and investments	\$ 163,330	\$ 36,389	\$ 35,859	\$ 163,860
Total Assets	<u>\$ 163,330</u>	<u>\$ 36,389</u>	<u>\$ 35,859</u>	<u>\$ 163,860</u>
<u>Liabilities:</u>				
Accounts payable	\$ 750	\$ 845	\$ 750	\$ 845
Deposits payable	162,580	35,544	35,109	163,015
Total Liabilities	<u>\$ 163,330</u>	<u>\$ 36,389</u>	<u>\$ 35,859</u>	<u>\$ 163,860</u>

STATISTICAL SECTION

CITY OF EUREKA, CALIFORNIA
STATISTICAL SECTION TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Page
Financial Trends	114-118
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	119-126
<p>These schedules contain information to help the reader assess the City's ability to generate revenues. Property taxes, sales tax, state motor vehicle in lieu tax, intergovernmental revenue and charges for services are the City's most significant revenue sources.</p>	
Debt Capacity	127-134
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	135-136
<p>These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.</p>	
Operating Information	137-143
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

City of Eureka, California
 Net Position By Component
 June 30, 2016
 Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Invested in Capital Assets, Net of Related Debt	\$ 59,992,180	\$ 59,572,311	\$ 58,614,367	\$ 51,063,708	\$ 51,594,125	\$ 73,735,755	\$ 72,624,706	\$ 71,899,224	\$ 74,086,086	\$ 72,708,480
Restricted for:										
Capital Projects (2)				6,509,829						
Public Safety (2)	360,547	312,457	222,458		601,565	772,115	519,948	748,457	820,142	1,074,991
Streets and Roads (2)	615,192	1,366,470	2,042,478		1,639,450	1,148,809	972,895	616,015	422,871	32,416
Public Health (3)					12,267	8,376		69,735	159,510	273,477
Special Projects				478,013						
Community Redevelopment	13,564,799	14,722,787	15,914,014	16,783,354	15,884,648	14,809,855	15,081,422	15,005,246	12,495,421	17,125,287
Community Development					6,669,420					
Debt Service		18,000		4,471,878						
Airport (2)	203,584	224,943	241,392		225,190	203,019	120,386	63,073	44,876	
Unrestricted	3,213,134	1,785,784	845,387	(2,420,313)	(138,542)	3,961,681	(5,204,140)	(5,379,685)	(34,968,208)	(21,989,563)
Total governmental activities net position	\$ 77,949,436	\$ 78,002,752	\$ 77,880,096	\$ 76,886,469	\$ 76,488,123	\$ 94,639,610	\$ 84,115,217	\$ 83,022,065	\$ 53,060,698	\$ 69,225,088
% change from prior year	2.91%	0.07%	-0.16%	-1.28%	-0.52%	23.73%	-11.12%	-1.30%	-36.09%	30.46%
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 58,399,172	\$ 59,101,682	\$ 58,603,096	\$ 59,594,461	\$ 40,495,614	\$ 34,636,218	\$ 62,448,109	\$ 66,465,352	\$ 68,041,655	\$ 69,318,162
Restricted for:										
Capital Projects	2,612,843	2,127,767	10,355,814	5,506,810	6,118,838	25,595,984				
Debt Service				191,731						
Special Projects				686,093						
Unrestricted	10,276,472	10,170,448	2,924,239	3,859,139	22,869,456	11,956,472	14,413,729	14,169,955	7,018,566	5,105,980
Total business-type activities net position	\$ 71,288,487	\$ 71,399,897	\$ 71,883,149	\$ 69,838,234	\$ 69,483,908	\$ 72,188,674	\$ 76,861,838	\$ 80,635,307	\$ 75,060,221	\$ 74,424,142
% change from prior year	-3.17%	0.16%	0.68%	-2.84%	-0.51%	3.89%	6.47%	4.91%	-6.91%	-0.85%
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 118,391,352	\$ 118,673,993	\$ 117,217,463	\$ 110,658,169	\$ 92,089,739	\$ 108,371,973	\$ 135,072,815	\$ 138,364,576	\$ 142,127,741	\$ 142,026,642
Restricted for:										
Capital Projects (2)				12,016,639	6,118,838	25,595,984				
Public Safety (2)	360,547	312,457	222,458		601,565	772,115	519,948	748,457	820,142	1,074,991
Streets and Roads (2)	615,192	1,366,470	2,042,478		1,639,450	1,148,809	972,895	616,015	422,871	32,416
Public Health (3)					12,267	8,376		69,735	159,510	273,477
Special Projects	2,612,843	2,127,767	10,355,814	1,164,106						
Community Redevelopment	13,564,799	14,722,787	15,914,014	16,783,354	15,884,648	14,809,855	15,081,422	15,005,246	12,495,421	17,125,287
Community Development					6,669,420					
Debt Service		18,000		4,663,609						
Airport (2)	203,584	224,943	241,392		225,190	203,019	120,386	63,073	44,876	
Unrestricted	13,489,606	11,956,232	3,769,626	1,438,826	22,730,914	15,918,153	9,209,589	8,790,270	(27,949,642)	(16,883,583)
Total primary government net position	\$ 149,237,923	\$ 149,402,649	\$ 149,763,245	\$ 146,724,703	\$ 145,972,031	\$ 166,828,284	\$ 160,977,055	\$ 163,657,372	\$ 128,120,919	\$ 143,649,230
% change from prior year	-0.09%	0.11%	0.24%	-2.03%	-0.51%	14.29%	-3.51%	1.67%	-21.71%	12.12%

- (1) This schedule reports using the accrual basis of accounting.
- (2) Public Safety, Streets and Roads, and Airport are all included in the Capital Projects category in fiscal year 2010.
- (3) Category added for fiscal year 2011.
- (4) Reporting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City, as is the case with several special revenue funds restricted to the purposes of the fund.
- (5) See Schedule 2 for changes in net assets from year to year.

City of Eureka, California
Changes in Net Position
June 30, 2016
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
<i>Governmental Activities:</i>										
General Government	\$ 3,681,651	\$ 4,635,673	\$ 4,783,555	\$ 3,948,020	\$ 4,353,283	\$ 4,312,756	\$ 6,593,798	\$ 6,311,284	\$ 3,512,445	\$ 3,789,646
Community Development	4,606,187	3,909,922	4,105,920	2,787,902	4,733,321	2,091,087	1,757,218	1,188,687	3,603,437	2,918,394
Public Safety	11,583,891	12,662,643	13,984,279	13,954,934	16,181,737	17,199,265	17,814,730	18,128,007	18,718,608	6,372,900
Public Works	5,025,214	3,383,320	3,219,875	6,358,368	6,186,286	6,995,378	5,670,114	4,916,185	5,062,481	4,185,222
Parks and Recreation	2,472,534	2,445,431	2,384,666	2,115,173	2,288,725	2,547,945	2,638,220	2,858,707	3,399,624	3,793,746
Interest on Long-term Debt	2,007,686	1,958,961	1,235,223	1,385,114	1,613,024	585,265	33,601	62,527	40,434	30,176
Unallocated Depreciation (8)	2,065,839	2,199,036	2,236,926							
Total Governmental Activities Expenses	31,443,002	31,194,986	31,950,444	30,549,511	35,356,376	33,731,696	34,507,681	33,465,397	34,337,029	21,090,084
<i>Business-type Activities:</i>										
Water	4,304,934	4,377,659	4,597,300	5,178,222	5,488,885	6,027,265	6,287,307	6,685,292	6,911,668	7,067,406
Wastewater	5,323,328	5,467,779	5,454,659	5,958,382	6,217,621	6,616,107	6,859,484	6,408,711	6,067,647	7,864,985
Harbor	1,324,716	1,165,873	1,159,840	1,124,184	1,051,246	1,130,664	1,084,837	1,080,001	1,138,937	1,177,738
Building	562,867	593,859	613,222	567,019	569,063	791,204	815,596	1,006,132	1,309,222	701,207
Transit	1,801,921	1,953,606	1,748,801	1,825,016	1,850,309	2,120,479	2,164,325	2,868,674	2,140,261	2,080,888
Golf	21,205	25,800	21,887	13,920	17,953	12,451	29,804	15,292	13,282	26,750
Total Business-type Activities Expenses	13,338,971	13,584,576	13,595,709	14,666,743	15,195,077	16,698,170	17,241,353	18,064,102	17,581,017	18,918,974
Total Primary Government Expenses	\$ 44,781,973	\$ 44,779,562	\$ 45,546,153	\$ 45,216,254	\$ 50,551,453	\$ 50,429,866	\$ 51,749,034	\$ 51,529,499	\$ 51,918,046	\$ 40,009,058
Program Revenues										
<i>Governmental Activities:</i>										
<i>Charges for Services</i>										
General Government	\$ 1,702,342	\$ 656,584	\$ 1,560,185	\$ 1,598,159	\$ 2,703,298	\$ 2,465,528	\$ 2,209,039	\$ 2,608,005	\$ 3,039,949	\$ 3,666,629
Community Development	445,116	640,538	122,917	514,814	204,143	180,954	201,418	162,464	292,129	179,765
Public Safety	609,765	783,418	991,146	1,071,152	956,618	853,818	921,529	986,573	966,910	673,700
Public Works	106,727	109,145	135,798	750,499	951,437	640,947	640,147	772,853	93,153	64,843
Parks and Recreation	446,885	525,158	556,282	569,360	711,415	972,891	668,474	720,164	882,453	856,747
Operating Grants and Contributions	2,021,282	2,397,762	2,126,731	335,636	4,161,544	2,397,480	2,718,014	2,370,916	4,550,186	5,550,122
Capital Grants and Contributions	1,939,634	2,275,470	3,441,840	2,208,338	1,317,677	369,854	316,294	886,675	1,741,845	221,420
Total Governmental Activities Program Revenues	7,271,751	7,388,075	8,934,899	7,047,958	11,006,132	7,881,472	7,674,915	8,507,650	11,566,625	11,213,226
<i>Business-type Activities:</i>										
<i>Charges for Services</i>										
Water	5,280,355	4,937,339	5,259,568	5,300,379	5,564,933	6,329,690	6,287,307	7,887,408	7,714,657	7,688,777
Wastewater	4,668,237	4,916,158	4,447,298	4,909,320	5,465,754	6,389,510	6,859,484	12,370,941	11,218,893	7,163,817
Harbor	560,880	650,154	670,275	540,785	624,569	779,144	1,084,837	1,084,221	918,264	879,780
Building	394,603	512,065	384,634	642,815	496,274	522,817	815,596	863,099	1,507,249	873,775
Transit	1,508,536	1,925,780	1,713,283	2,374,688	2,058,568	1,974,494	2,164,325	2,629,199	1,721,357	1,748,162
Golf	19,780	24,015	22,378	26,861	23,187	22,980	29,804	25,582	26,256	39,792
Operating Grants and Contributions					241,400					
Capital Grants and Contributions	890,000	127,651		542,493		3,420,342	2,673,933	555,640		
Total Business-type Activities Program Revenues	13,322,391	13,093,162	12,497,436	14,337,341	14,474,685	19,438,977	19,915,286	25,416,090	23,106,676	18,394,103
Total Primary Government Program Revenues	\$ 20,594,142	\$ 20,481,237	\$ 21,432,335	\$ 21,385,299	\$ 25,480,817	\$ 27,320,449	\$ 27,590,201	\$ 33,923,740	\$ 34,673,301	\$ 29,607,329

City of Eureka, California
Changes in Net Position
June 30, 2016
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expenses)/Revenues (3)										
<i>Governmental Activities</i>	\$ (24,171,251)	\$ (23,806,911)	\$ (23,015,545)	\$ (23,501,553)	\$ (24,350,244)	\$ (25,850,224)	\$ (26,832,766)	\$ (24,957,747)	\$ (22,770,404)	\$ (9,876,858)
<i>Business-type Activities</i>	(16,580)	(491,414)	(1,098,273)	(329,402)	(720,392)	2,740,807	2,673,933	7,351,988	5,525,659	(524,871)
Total Primary Government Net (Expenses)	\$ (24,187,831)	\$ (24,298,325)	\$ (24,113,818)	\$ (23,830,955)	\$ (25,070,636)	\$ (23,109,417)	\$ (24,158,833)	\$ (17,605,759)	\$ (17,244,745)	\$ (10,401,729)
General Revenues and Other Changes in Net Position										
<i>Governmental Activities:</i>										
Taxes										
Property Taxes	\$ 5,891,831	\$ 6,015,229	\$ 6,767,867	\$ 6,539,634	\$ 8,572,335	\$ 6,063,480	\$ 4,065,538	\$ 4,053,018	\$ 3,874,764	\$ 4,161,361
Sales Taxes	9,767,022	9,863,454	8,411,860	7,820,946	9,312,779	8,894,475	8,584,878	9,856,486	9,893,389	10,848,407
Transient Occupancy Tax	1,587,382	1,742,728	1,817,628	2,032,584	1,877,436	2,019,361	2,032,949	2,125,469	2,419,501	2,871,396
Transaction & Use Tax (6) (9)			382,389	1,628,022	2,688,403	5,582,371	5,969,180	6,162,202	6,203,864	6,251,566
Utility User's Tax (4)	1,334,370	1,454,764	1,171,659	(5,437)						
Business License Tax	279,589	268,092	262,680	274,377	239,577	237,286	235,026	232,914	237,672	252,104
Permits and Franchise Tax	820,889	848,153	904,913	837,157	851,300	853,047	853,679	888,602	882,318	1,186,077
Investment Income	2,000,148	1,619,030	1,130,512	362,666	427,100	61,875	401,770	2,769	10,025	22,783
Gain on Sale of Capital Asset		1,153			113,636					
Disposal of Capital Asset		(68,860)								
Motor Vehicle In-lieu, unrestricted (5)	1,908,795	2,007,793	2,095,742	2,152,526	124,558	13,498	13,986		11,181	10,971
Other Taxes (7)				506,881						
Miscellaneous	263,469	186,373	626,772	624,645	401,704	1,198,577	1,408,295	551,351	285,182	408,721
Transfers	(270,630)	(180,710)	(466,675)	(478,335)	(470,067)	260,267	(102,047)	(11,440)		
Trust Funds						18,731,372				
Total Governmental Activities	23,582,865	23,757,199	23,105,347	22,295,666	24,138,761	43,915,609	23,463,254	23,861,371	23,817,896	26,013,386
<i>Business-type Activities:</i>										
Property Taxes								112,141		
Investment Income	513,009	487,928	622,839	333,083		154,388	214,476	23,267	14,894	20,629
Gain on sale of Capital Asset			5,573		225,015		47,452			
Miscellaneous		11,021	455,251	438						
Transfers	270,630	180,710	466,675	478,335	470,067	(260,267)	102,047	11,440		
Total Business-type Activities	783,639	679,659	1,550,338	811,856	695,082	(105,879)	363,975	146,848	14,894	20,629
Total Primary Government	\$ 24,366,504	\$ 24,436,858	\$ 24,655,685	\$ 23,107,522	\$ 24,833,843	\$ 43,809,730	\$ 23,827,229	\$ 24,008,219	\$ 23,832,790	\$ 26,034,015
Change in Net Position										
<i>Governmental Activities</i>	\$ (588,386)	\$ (49,712)	\$ 89,802	\$ (1,205,887)	\$ (211,483)	\$ 18,065,385	\$ (3,369,512)	\$ (1,096,376)	\$ 1,047,492	\$ 16,136,528
<i>Business-type Activities</i>	767,059	188,245	452,065	482,454	(25,310)	2,634,928	3,037,908	7,498,836	5,540,553	(504,242)
Total Primary Government	\$ 178,673	\$ 138,533	\$ 541,867	\$ (723,433)	\$ (236,793)	\$ 20,700,313	\$ (331,604)	\$ 6,402,460	\$ 6,588,045	\$ 15,632,286

(1) This schedule reports using the accrual basis of accounting.

(2) Expenses include allocated indirect expenses.

(3) Net (expenses) is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parenthesis are net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parenthesis are net revenues, meaning that program revenues were more than sufficient to cover expenditures.

(4) On November 7, 2006, City voters approved a four year extension of the Utility User's Tax @ 3% through June 30, 2011, with the cap increased to \$2,000 from \$1,000 effective July 1, 2007.

(5) Motor Vehicle In-Lieu Tax is derived from an annual fee paid by automobile owners registering their vehicles with the State of California Department of Motor Vehicles in lieu of local property tax. The tax rate is two percent (2%) of the market value of the vehicle. In the past, this revenue was included in Property Taxes for reporting purposes.

(6) On November 4, 2008 City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented on April 1, 2009 and the Utility User's Tax was discontinued.

(7) Category added for fiscal year 2010.

(8) Unallocated depreciation for fiscal year 2010 is included with other expense categories with the majority being in Public Works.

(9) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for five years.

City of Eureka, California
Fund Balances, Governmental Funds
June 30, 2016
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved for:										
Parking	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000						
Prepaid Items	17,655	24,829	36,551	40,343	\$ 5,879	\$ 238,434	\$ 85,935	\$ 6,915	\$ 40,837	\$ 2,457
Advances	4,854,076	4,571,015	3,509,275							43,690
Land Held for Resale										
Unreserved/Unassigned	<u>974,547</u>	<u>1,012,166</u>	<u>357,337</u>	<u>2,227,128</u>	<u>2,056,339</u>	<u>2,053,897</u>	<u>1,822,717</u>	<u>2,054,276</u>	<u>2,036,084</u>	<u>3,901,949</u>
Total General Fund	<u>5,874,278</u>	<u>5,636,010</u>	<u>3,931,163</u>	<u>2,295,471</u>	<u>2,062,218</u>	<u>2,292,331</u>	<u>1,908,652</u>	<u>2,061,191</u>	<u>2,076,921</u>	<u>3,948,096</u>
All Other Governmental Funds										
Reserved for:										
Encumbrances				179,830						
Fire Tower (2)				14,287						
Debt Service (2)				829,896						
Capital Projects (2)				3,641,982						27,862
Public Safety (3)					601,565	772,115	519,948	734,110	820,142	1,074,991
Public Health (3)					12,267	8,376		69,735	159,510	273,477
Road Improvements (3)					1,639,450	1,148,809	972,895	464,832	422,871	4,554
Airport (3)					225,190	203,019	120,386	63,073	44,876	
Debt Service (3)					49,418	5,688				
Housing (3)					6,669,420	1,180,469	1,330,060	1,284,347	1,179,592	1,985,486
Low/Moderate Income Housing/Housing	3,389,651	1,927,176	1,058,713	4,441,812	3,632,327	1,639,178	1,790,388	2,028,313	1,454,390	1,472,095
Advances	101,355	89,690	77,237	63,944						
Land Held for Resale	4,613,178	4,613,178	4,913,351	211,388						
Unreserved, reported in:										
Special Revenue Funds	1,726,163	2,846,285	4,406,101	4,664,137						
Capital Projects Funds	822,031	133,883		46,567						
Debt Service Funds	(9,607,392)	(8,321,041)	(8,035,800)	(5,041,261)	(3,393,275)					
Other Governmental Funds					(503,737)	(717,814)	(985,907)	(1,151,305)	(1,311,277)	(1,460,087)
Total Other Governmental Funds	<u>1,044,986</u>	<u>1,289,171</u>	<u>2,419,602</u>	<u>9,052,582</u>	<u>8,932,625</u>	<u>4,239,840</u>	<u>3,747,770</u>	<u>3,493,105</u>	<u>2,770,104</u>	<u>3,378,378</u>
Total Governmental Funds	<u>\$ 6,919,264</u>	<u>\$ 6,925,181</u>	<u>\$ 6,350,765</u>	<u>\$ 11,348,053</u>	<u>\$ 10,994,843</u>	<u>\$ 6,532,171</u>	<u>\$ 5,656,422</u>	<u>\$ 5,554,296</u>	<u>\$ 4,847,025</u>	<u>\$ 7,326,474</u>
% change from prior year	-47.07%	0.09%	-8.29%	78.69%	-3.11%	-40.59%	-13.41%	-1.81%	-12.73%	51.15%

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(1) This schedule reports using the modified accrual basis of accounting
(2) Category added for fiscal year 2010.
(3) Category added for fiscal year 2011.

City of Eureka, California
Changes in Fund Balance
Governmental Funds
June 30, 2016
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Taxes	\$ 18,431,298	\$ 19,506,211	\$ 18,883,237	\$ 17,770,206	\$ 20,683,188	\$ 20,363,254	\$ 19,542,556	\$ 20,390,227	\$ 20,548,084	\$ 22,243,009
Licenses, Permits and Fees	820,889	848,153	904,913	959,829	998,156	1,002,508	1,002,305	1,015,408	1,017,758	1,337,620
Fines and Penalties	176,083	409,635	269,986	372,359	407,856	417,532	478,662	461,027	520,983	400,372
Investment Income	1,752,598	1,372,724	697,452	752,838	131,972	16,416	66,105	3,968	10,025	22,783
Intergovernmental	4,281,889	5,385,743	5,198,346	5,230,818	7,294,876	4,738,897	5,438,016	5,146,109	8,306,356	7,942,085
Charges for Services	3,423,401	3,328,071	3,550,311	3,501,967	4,816,242	4,136,068	3,889,291	4,491,319	4,428,641	4,792,274
Other Revenues	250,039	242,422	620,842	1,012,883	1,330,671	2,334,043	1,923,111	810,388	439,776	751,151
Total Revenues	29,136,197	31,092,959	30,125,087	29,600,900	35,662,961	33,008,718	32,340,046	32,318,446	35,271,623	37,489,294
% change from prior year	2.25%	6.72%	-3.11%	-1.74%	20.48%	-7.44%	-2.03%	-0.07%	9.14%	6.29%
EXPENDITURES										
Current:										
General Government	3,650,520	4,054,890	4,156,256	2,875,677	3,836,207	3,628,888	3,939,443	3,743,451	3,684,498	3,823,760
Public Safety	12,367,339	12,152,997	13,280,688	13,993,430	15,740,199	16,920,048	18,282,736	18,578,985	18,782,487	18,576,217
Public Works	2,992,935	3,055,382	2,903,711	3,328,618	2,570,916	3,146,394	3,410,709	3,366,679	3,302,241	2,985,586
Community Development	4,822,158	4,615,290	4,055,656	4,045,524	3,483,826	1,773,822	1,779,995	994,976	4,096,054	4,682,239
Culture and Recreation	2,334,103	2,221,695	2,150,235	2,006,956	2,258,357	2,550,073	2,601,363	2,831,926	3,073,410	3,459,113
Capital Outlay	4,758,090	2,461,930	1,982,474	4,909,814	5,610,463	3,151,886	3,619,482	2,497,544	2,673,386	1,201,824
Debt Service:										
Principal	148,183	161,287	175,690	303,018	314,679	326,811	230,087	329,680	238,421	252,520
Interest and fiscal charges	1,857,798	1,899,939	1,169,101	1,217,704	1,536,134	760,226	32,412	65,891	42,685	28,586
Cost of Issuance				257,200						
Total Expenditures	32,931,126	30,623,410	29,873,811	32,937,941	35,350,781	32,258,148	33,896,227	32,409,132	35,893,182	35,009,845
% change from prior year	11.42%	-7.01%	-2.45%	10.26%	7.33%	-8.75%	5.08%	-4.39%	10.75%	-2.46%
Excess of Revenues Over (Under) Expenditures	(3,794,929)	469,549	251,276	(3,337,041)	312,180	750,570	(1,556,181)	(90,686)	(621,559)	2,479,449
OTHER FINANCING SOURCES (USES)										
Transfers from Other Funds	1,527,976	1,537,155	3,229,150	11,020,178	7,503,599	1,595,233	2,667			
Transfers to Other Funds	(1,786,935)	(2,612,967)	(4,546,625)	(12,503,315)	(8,673,666)	(2,272,078)	(104,714)	(11,440)		
Proceeds from Long Term Debt				9,817,465	574,641		782,479			
Sale of Capital Assets		13,000	17,550		116,899					
Proceeds from Loans and Advances	1,119,079	507,594	290,692							
Total Other Financing Sources (Uses)	860,120	(555,218)	(1,009,233)	8,334,328	(478,527)	(676,845)	680,432	(11,440)	-	-
Prior Period Adjustment									(85,712)	
Extraordinary Item - Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds						(4,613,294)				
Net Change in Fund Balance	\$ (2,934,809)	\$ (85,669)	\$ (757,957)	\$ 4,997,287	\$ (166,347)	\$ (4,539,569)	\$ (875,749)	\$ (102,126)	\$ (707,271)	\$ 2,479,449
Debt Service as a Percentage of Non-capital Expenditures	7.12%	7.32%	4.82%	6.34%	6.22%	3.73%	0.87%	1.32%	0.85%	0.83%

(1) This schedule reports using the modified accrual basis of accounting

City of Eureka, California
Tax Revenues by Source
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Property	Sales	Occupancy	Utility User (2)	Transaction and Use Tax (3)	Business License	Other
2007	5,421,915	9,832,534	1,587,382	1,334,370		279,589	95
2008	6,015,229 (4)	9,863,454 (5)	1,742,728	1,454,764		268,092	136
2009	6,767,867 (6)	8,411,860	1,817,628	1,171,659	382,389	262,680	82
2010	6,539,634 (3)	7,820,946	2,032,584	(5,437)	1,628,022	274,377	11
2011	8,572,335	9,312,779	1,877,436	-	2,688,403 (7)	239,577	31
2012	6,063,480	8,894,475	2,019,361	-	5,582,371	237,286	50
2013	4,065,538	8,584,878	2,032,949	-	5,969,180	235,026	53
2014	4,053,018	9,856,486	2,125,469	-	6,162,202	232,914	52
2015	3,874,764	9,893,389	2,419,501	-	6,203,864	237,672	59
2016	4,161,361	10,848,407	2,871,396	-	6,251,566	252,104	49
Change 2007-2016	-23.25%	10.33%	80.89%	-100.00%	N/A	-9.83%	-48.42%

(1) This schedule reports using the modified accrual basis of accounting.

(2) On November 7, 2006, City voters approved a four year extension of the Utility User's Tax @ 3% through June 30, 2011 with the cap increased to \$2,000 from \$1,000 effective July 1, 2007.

(3) On November 4, 2008, City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented on April 1, 2009 at which time the Utility User's Tax was discontinued.

(4) Includes \$394,405 in deferred property taxes from FY 2006-07.

(5) Includes public safety sales tax and sales tax received through State and County pools.

(6) Includes \$292,261 in retro-active unitary \$1.00 rate apportionments to the Eureka Redevelopment Agency for FY 2005-06 through FY 2007-08.

(7) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for 5 years.

City of Eureka, California
Sales Tax by Category
June 30, 2016
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Consumer Goods	\$ 3,064,228	\$ 3,016,448	\$ 2,811,224	\$ 2,795,733	\$ 2,846,891	\$ 2,848,952	\$ 3,025,640	\$ 3,029,341	\$ 3,098,773	\$ 3,368,496
Autos and Transportation	1,788,420	1,671,628	1,261,457	1,265,065	1,385,153	1,508,155	1,734,020	1,928,258	2,070,078	2,163,784
Building and Construction	965,817	883,059	713,867	727,961	689,080	724,208	737,861	692,926	772,796	808,648
Fuel and Service Stations	967,886	971,471	784,340	754,419	886,917	944,898	906,447	920,161	923,211	803,785
Business and Industry	917,243	445,028	769,706	727,129	711,572	649,664	664,658	708,942	696,546	689,675
Restaurants and Hotels	644,371	711,783	617,506	653,545	643,051	669,422	693,887	790,799	802,328	872,540
Food and Drugs	433,697	608,934	503,271	484,066	479,149	479,222	453,796	460,641	472,719	481,819
Transfers and Unidentified									2,467	(3,997)
Total	<u>\$ 8,781,662</u>	<u>\$ 8,308,351</u>	<u>\$ 7,461,371</u>	<u>\$ 7,407,918</u>	<u>\$ 7,641,813</u>	<u>\$ 7,824,521</u>	<u>\$ 8,216,309</u>	<u>\$ 8,531,068</u>	<u>\$ 8,838,918</u>	<u>\$ 9,184,750</u>

(1) Under California Revenue and Taxation Code Section 7056, disclosure of individual sales tax remitters and their tax liability is prohibited.

(2) Source: Hinderliter de Llamas and Associates - this data does not include sales tax revenue that is temporarily diverted by the State to service state bonds.

(3) Does not include public safety sales tax and sales tax received through State and County pools.

City of Eureka, California
Transaction & Use Tax by Category
June 30, 2016

	Fiscal Year									
	2009	(1)	2010	2011	(2)	2012	2013	2014	2015	2016
General Consumer Goods	\$ 144,506		\$ 702,360	\$ 1,011,115		\$ 2,217,913	\$ 2,338,326	\$ 2,334,239	\$ 2,407,158	\$ 2,574,828
Autos and Transportation	48,966		220,154	370,774		760,656	855,560	878,161	857,020	936,182
Building and Construction	38,579		158,052	247,257		513,074	579,075	536,531	591,656	609,234
Business and Industry	62,829		274,489	403,666		814,139	809,515	954,390	833,565	856,726
Food and Drugs	34,132		123,091	178,915		358,223	342,640	347,102	346,394	366,390
Fuel and Service Stations	30,758		145,281	251,857		517,812	514,764	515,786	518,537	474,963
Restaurants and Hotels	33,330		155,359	239,605		493,408	529,055	595,070	604,380	653,706
Transfers and Unidentified	-		293	-		-	245	923	2,534	920
Total	<u>\$ 393,100</u>		<u>\$ 1,779,079</u>	<u>\$ 2,703,189</u>		<u>\$ 5,675,225</u>	<u>\$ 5,969,180</u>	<u>\$ 6,162,202</u>	<u>\$ 6,161,244</u>	<u>\$ 6,472,949</u>
City transaction and use tax rate	0.25%		0.25%	0.25% - 0.75%		0.75%	0.75%	0.75%	0.75%	0.75%

(1) On November 4, 2008, City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented for the first time on April 1, 2009 therefore, ten years of data is not available but will be accumulated over time.

(2) On November 2, 2010, City voters approved an additional Transaction & Use Tax of 1/2%. This tax was implemented on April 1, 2011. It will sunset after five years unless an extension is approved by City voters.

City of Eureka, California
Direct and Overlapping Sales Tax Rates
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Humboldt County
2007	0.75%	0.25%
2008	0.75%	0.25%
2009 (1)	1.00%	0.25%
2010	1.00%	0.25%
2011 (2)	1.50%	0.25%
2012	1.50%	0.25%
2013	1.50%	0.25%
2014	1.50%	0.25%
2015	1.50%	0.50%
2016	1.50%	0.50%

(1) On November 4, 2008 City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This new tax rate became effective on 4/1/09.

(2) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for 5 years.

Source: California State Board of Equalization

City of Eureka, California
Net Taxable Assessed Value History
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Net Total Assessed Value	% Change
2007	1,593,937,128	155,016,291	3,371,263	1,752,324,682	7.95%
2008	1,711,569,430	159,589,282	862,447	1,872,021,159	6.83%
2009	1,829,399,444	159,010,534	862,447	1,989,272,425	6.26%
2010	1,900,133,398	157,047,991	1,138,181	2,058,319,570	3.47%
2011	1,885,289,687	159,933,253	1,138,181	2,046,361,121	-0.58%
2012	1,880,551,895	155,677,612	1,138,181	2,037,367,688	-0.44%
2013	1,897,238,531	148,225,050	959,109	2,046,422,690	0.44%
2014	1,922,116,912	148,069,621	959,109	2,071,145,642	1.21%
2015	1,962,269,233	154,442,502	959,109	2,117,670,844	2.25%
2016	2,019,528,143	162,357,948	959,109	2,182,845,200	3.08%

Sources: Humboldt County Assessor 2004-05 to 2013-14 Combined Tax Rolls
HdL, Coren & Cone

City of Eureka, California
 Direct and Overlapping Property Tax Rates
 June 30, 2016
 Last Ten Fiscal Years

Agency		Fiscal Year									
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Basic Levy	(1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CR 2005/2007 Go Bond		0.01000	0.01500	0.01200	0.01300	0.01300	0.01200	0.01100	0.01100	0.01300	0.01000
Eureka Unified Elementary		0.02100	0.01600	0.01900	0.01800	0.01800	0.02000	0.01400	0.02200	0.02100	0.02000
Eureka Unified High		0.04200	0.03600	0.03300	0.03500	0.03800	0.03600	0.03000	0.03400	0.03300	0.03400
Eureka Usd 2015		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.05500
Freshwater Elementary Go Bonds 2001		0.04800	0.04200	0.04100	0.04100	0.04100	0.03500	0.03800	0.03900	0.03700	0.03500
Jacoby Creek Elementary School		0.01600	0.01200	0.02300	0.01300	0.01300	0.01900	0.01700	0.01600	0.00000	0.00000
Northern Humboldt Unified School Dist 2010 Bond		0.00000	0.00000	0.00000	0.00000	0.00000	0.01800	0.01900	0.01800	0.01700	0.01700
South Bay Elementary Go Bonds 1999		0.01200	0.00900	0.00800	0.00600	0.00600	0.00500	0.00300	0.00400	0.00400	0.00500
Total Direct and Overlapping Tax Rates	(2)	1.14900	1.13000	1.13600	1.12600	1.12900	1.14500	1.13200	1.14400	1.12500	1.17600
City's Share of 1% Levy Per Prop 13	(3)	0.16232									
Redevelopment Rate	(4)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000				
Total Direct Rate	(5)	0.35545	0.30479	0.30969	0.30958	0.30697	0.30821	0.30363	0.09352	0.08756	0.08764

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (3) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness prior to 1989 as per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012-13 and years thereafter.
- (5) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Sources: Hdl, Coren & Cone
 Humboldt County Assessor 2006-07 to 2015-16 Tax Rate Table

City of Eureka, California
Principal Property Tax Payers
June 30, 2016
Current Year and Nine Years Ago

2006-07				
Company	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Bayshore Mall	Shopping Mall	\$ 48,097,967	1	2.74%
Target Corporation	Durable Goods	14,644,315	2	0.84%
Costco Wholesale Corporation	Durable Goods	14,641,673	3	0.84%
L & H Properties LLC	Developer	8,711,447	4	0.50%
Humboldt Partners	Bank	8,418,093	5	0.48%
Schmidbauer Lumber Inc.	Wood Products	7,939,401	6	0.45%
Commercial Net Lease Realty, Inc.	Developer	7,900,000	7	0.45%
Cox Communications Humboldt Inc.	Entertainment	7,881,561	8	0.45%
Chevron USA Products Company	Energy	7,628,221	9	0.44%
The Country Inn	Hotel	7,606,455	10	0.43%
Totals		<u>\$133,469,133</u>		<u>7.62%</u>

2015-16				
Company	Type of Business	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Bayshore Mall	Shopping Mall	\$ 29,751,030	1	1.36%
Costco Wholesale Corporation	Durable Goods	17,206,764	2	0.79%
Table Bluff Brewing Inc.	Non-durable Goods	16,768,349	3	0.77%
Target Corporation	Durable Goods	16,009,014	4	0.73%
Red House Fandango LLC	Non-durable Goods	13,801,238	5	0.63%
PWM Inc.	Durable Goods	13,119,186	6	0.60%
CUE LLC	Investment	11,821,026	7	0.54%
Schmidbauer Lumber Inc.	Lumber	11,733,747	8	0.54%
The Country Inn	Hotel	10,682,562	9	0.49%
Ronald J Harris Trust	Investment	10,643,462	10	0.49%
Totals		<u>\$ 151,536,378</u>		<u>6.94%</u>

Source: HdL Coren and Cone CAFR Report

City of Eureka, California
Property Tax Levies and Collections (1)
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Taxes Levied For The Fiscal Year	Collected Within the Fiscal Year of the Levy	
		Amount	Percent of of Levy
2007	5,421,915	5,421,915	100.0%
2008	6,015,229	6,015,229	100.0%
2009	6,767,867	6,767,867	100.0%
2010	6,539,634	6,539,634	100.0%
2011	8,572,335	8,572,335	100.0%
2012	6,063,480	6,063,480	100.0%
2013	4,065,538	4,065,538	100.0%
2014	4,053,018	4,053,018	100.0%
2015	3,874,764	3,874,764	100.0%
2016	4,161,361	4,161,361	100.0%

(1) Property taxes are levied and collected pursuant to an arrangement commonly referred to as the Teeter Plan. Under the Teeter Plan, the County allocates and remits to the County the full amount of each years tax levy, and the County then retains any delinquencies collected by the County.

(2) Article XIII A of the California Constitution (Proposition 13) precludes cities from levying a property tax, except for payment of voter approved indebtedness. The county levies all general purpose property taxes and allocates them based on a state-mandated formula to other governmental entities. The amounts shown under "Total Tax Levy" were determined by the county using that formula.

(3) Totals include property taxes/property tax increment collected from former RDA

Source: Humboldt County Auditor and City of Eureka financial records

City of Eureka, California
Ratios of Outstanding Debt by Type
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities					Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita
	Redevelopment Bonds	Capital Leases	Infrastructure Bank Loan	Water Bonds	Wastewater Bonds	Harbor Bonds	Harbor Term Loan	Capital Leases			
2007	15,250,000	1,651,321	-	12,905,000	3,620,000	700,000	2,402,380	2,518,695	\$ 39,047,396	5.08%	1,496
2008	15,250,000	1,513,584	462,514	12,470,000	3,510,000	630,000	2,336,205	2,535,728	\$ 38,708,031	4.92%	1,480
2009	15,250,000	1,389,559	645,940	12,020,000	3,395,000	555,000	2,267,053	2,372,060	\$ 37,894,612	4.83%	1,457
2010	24,445,000	1,186,883	1,573,403	11,555,000	3,280,000	475,000	2,194,788	2,116,181	\$ 46,826,255	5.16%	1,721
2011	24,445,000	975,826	1,796,136	11,070,000	19,440,000	390,000	2,119,271	1,849,631	\$ 62,085,864	7.27%	2,282
2012	24,445,000	746,143	1,689,703	19,945,000	19,315,000	300,000	2,040,357	1,571,966	\$ 70,053,169	7.80%	2,598
2013	23,285,000	1,307,739	1,580,362	19,430,000	18,920,000	205,000	1,957,891	1,282,723	\$ 67,968,715	10.95%	2,515
2014	22,080,000	968,855	1,467,927	18,895,000	18,520,000	105,000	1,871,714	981,418	\$ 64,889,914	10.68%	2,411
2015	20,820,000	726,385	1,352,310	18,345,000	18,105,000	-	1,781,659	667,549	\$ 61,797,903	10.92%	2,284
2016	19,510,000	473,865	1,233,420	17,775,000	17,670,000	-	1,687,552	399,336	\$ 58,749,173	10.27%	2,195

(1) Personal Income from Bureau of Economic Analysis, Regional Economic Accounts and is based on Micropolitan population of Eureka-Arcata-Fortuna. Data for the City of Eureka alone is not available.

(2) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(3) Due to the dissolution of the Eureka Redevelopment Agency (ERA), all of the ERA's debt have been moved to the Eureka Successor Agency Fiduciary Fund.

City of Eureka, California
 Ratios of Outstanding Debt by Type
 June 30, 2016
 Last Ten Fiscal Years

Fiscal Year	Fiduciary Activities (1)		Total Fiduciary Activities
	Redevelopment Bonds	Infrastructure Bank Loan	
2007	-	-	\$ -
2008	-	-	\$ -
2009	-	-	\$ -
2010	-	-	\$ -
2011	-	-	\$ -
2012	24,445,000	1,689,703	\$ 26,134,703
2013	23,285,000	1,580,362	\$ 24,865,362
2014	22,080,000	1,467,927	\$ 23,547,927
2015	20,820,000	1,352,310	\$ 22,172,310
2016	19,510,000	1,233,420	\$ 20,743,420

(1) Due to the dissolution of the Eureka Redevelopment Agency (ERA), all of the ERA's debt have been moved to the Eureka Successor Agency Fiduciary Fund.

City of Eureka, California
Ratios of General Bonded Debt Outstanding
June 30, 2016
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u> Redevelopment Bonds	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2007	15,250,000	3.1960%	584.36
2008	15,250,000	2.9963%	583.02
2009	15,250,000	2.7825%	586.49
2010	24,445,000 (1)	4.3321%	898.45
2011	24,445,000	4.4016%	898.45
2012	24,445,000	4.3973%	906.71
2013	23,285,000	4.1720%	861.74
2014	22,080,000	3.8917%	820.39
2015	20,820,000	3.5945%	769.63
2016	19,510,000	3.2815%	728.94

(1) The ERA issued Series A and Series B bonds in 2010 both of which are secured by incremental tax revenues. Series A is for \$4,960,000, while Series B is for \$4,235,000. With the dissolution of Redevelopment, this only includes the total actual taxable value of parcels in the former Redevelopment Agency which are now in the Successor Agency.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Eureka, California
 Computation of Direct and Overlapping Debt
 June 30, 2016

	Percentage Applicable to City of Eureka (1)	Outstanding Debt 6/30/2016	City of Eureka Share of Debt
<u>OVERLAPPING DEBT REPAID WITH PROPERTY TAXES:</u>			
Redwoods Joint Community College District	12.922%	\$ 31,015,000	\$ 4,007,758
Eureka Unified School District	54.210%	50,834,989	27,557,648
Eureka Unified School District School Facilities Improvement District No. 1	79.058%	7,774,943	6,146,714
North Humboldt Union High School District	0.162%	21,035,223	34,077
Freshwater School District	0.393%	735,000	2,889
South Bay Union School District	2.232%	999,000	22,298
Humboldt Bay Harbor Recreation and Conservation District	18.152%	2,080,000	377,562
TOTAL OVERLAPPING DEBT REPAID WITH PROPERTY TAXES		\$ 114,474,155	\$ 38,148,946
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Humboldt County Certificates of Participation	18.152%	\$ 13,150,000	\$ 2,386,988
Humboldt County Board of Education Certificates of Participation	18.152%	3,160,000	573,603
Redwoods Joint Community College District Certificates of Participation	12.922%	56,200	7,262
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 16,366,200	\$ 2,967,853
<u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY):</u>			
City of Eureka Tax Allocation Bonds	100.000%	\$ 11,000,000	\$ 11,000,000
City of Eureka Lease Revenue Bonds	100.000%	8,510,000	8,510,000
		19,510,000	19,510,000
CITY DIRECT DEBT			- (2)
COMBINED TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT			<u>\$ 60,626,799 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

City of Eureka, California
 Legal Debt Margin Information
 June 30, 2016
 Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total assessed value of all real and personal property	\$1,899,833,280	\$1,872,021,159	\$1,989,272,425	\$2,058,319,570	\$2,046,361,121	\$2,037,367,688	\$2,046,422,690	\$2,071,145,642	\$2,117,670,844	\$2,182,845,200
Debt limit percentage (1)	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Total debt limit	71,243,748	70,200,793	74,597,716	77,186,984	76,738,542	76,401,288	76,740,851	77,667,962	79,412,657	81,856,695
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 71,243,748</u>	<u>\$ 70,200,793</u>	<u>\$ 74,597,716</u>	<u>\$ 77,186,984</u>	<u>\$ 76,738,542</u>	<u>\$ 76,401,288</u>	<u>\$ 76,740,851</u>	<u>\$ 77,667,962</u>	<u>\$ 79,412,657</u>	<u>\$ 81,856,695</u>

(1) Assessed value of property is subject to taxation at full market value since the passage of Proposition 13.

City of Eureka, California
Revenue Bond Coverage
Water Revenue Bonds
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total (3)	
2007	5,534,052	3,215,538	2,318,514	299,476	683,522	982,998	2.36
2008	5,359,540	2,995,541	2,363,999	435,000	579,954	1,014,954	2.33
2009	5,576,060	3,168,209	2,407,851	450,000	545,580	995,580	2.42
2010	5,447,189	3,789,650	1,657,539	465,000	540,797	1,005,797	1.65
2011	5,637,856	4,089,787	1,548,069	485,000	548,299	1,033,299	1.50
2012	6,405,429	4,159,856	2,245,573	495,000	549,370	1,044,370	2.15
2013	6,817,119	4,542,895	2,274,224	515,000	813,814	1,328,814	1.71
2014	7,761,934	5,313,494	2,448,440	535,000	882,053	1,417,053	1.73
2015	7,716,089	5,098,576	2,617,513	550,000	861,733	1,411,733	1.85
2016	7,698,750	5,301,682	2,397,068	570,000	840,218	1,410,218	1.70

- (1) Total revenues (including interest) exclusive of intergovernmental .
- (2) Operating expenses exclude depreciation and non depreciable capital expenditures.
- (3) Debt service does not include principal and interest payments on capital leases which are secured by equipment and not by revenues.
- (4) Full accrual accounting established.

City of Eureka, California
Revenue Bond Coverage
Wastewater Revenue Bonds
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	4,360,413	3,719,541	640,872	110,000	121,987	231,987	2.76
2008	4,573,978	3,819,053	754,925	110,000	194,798	304,798	2.48
2009	5,195,835	3,901,440	1,294,395	115,000	151,129	266,129	4.86
2010	5,495,832	4,167,213	1,328,619	115,000	150,169	265,169	5.01
2011	5,607,882	4,458,319	1,149,563	120,000	311,759	431,759	2.66
2012	6,478,852	4,222,375	2,256,477	125,000	911,453	1,036,453	2.18
2013	8,630,575	4,689,847	3,940,728	395,000	907,031	1,302,031	3.03
2014	7,869,630	4,387,205	3,482,425	400,000	896,278	1,296,278	2.69
2015	11,227,774	4,805,335	6,422,439	415,000	883,620	1,298,620	4.95
2016	8,268,581	7,960,504	308,077	430,000	868,875	1,298,875	0.24

- (1) Total revenues (including interest) exclusive of intergovernmental.
(2) Operating expenses exclude depreciation and non depreciable capital expenditures.
(3) Full accrual accounting established.

City of Eureka
Revenue Bond Coverage
Harbor Bonds
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service (3)	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	608,892	766,184	(157,292)	128,325	158,207	286,532	(0.55)
2008	650,154	579,120	71,034	136,175	150,632	286,807	0.25
2009	639,108	614,057	25,051	144,153	142,592	286,745	0.09
2010	540,785	621,614	(80,829)	152,265	134,080	286,345	(0.28)
2011	615,297	566,529	48,768	160,517	125,090	285,607	0.17
2012	764,536	644,514	120,022	168,915	115,617	284,532	0.42
2013	676,578	630,691	45,887	182,466	108,860	291,326	0.16
2014	675,310	644,205	31,105	191,177	95,193	286,370	0.11
2015	697,529	712,529	(15,000)	90,055	84,227	174,282	(0.09)
2016	655,500	773,691	(118,191)	94,107	80,175	174,282	(0.68)

- (1) Total revenues (including interest) exclusive of intergovernmental.
- (2) Operating expenses exclude depreciation & expenditures of grant revenue and non depreciable capital expenditures.
- (3) Interest expense on other existing debt is included in when calculating Net Revenue Available for Debt Service on the Harbor Revenue Bond.
- (4) Full accrual accounting established.

City of Eureka, California
Demographic and Economic Statistics
June 30, 2016
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	26,227	517,434,000	19,729	5.9%
2008	26,083	537,077,000	20,591	6.3%
2009	26,031	541,193,000	20,790	7.7%
2010	25,994	524,205,000	20,166	11.7%
2011	26,066	572,696,000	21,971	12.2%
2012	26,960	618,840,000	22,954	12.0%
2013	27,021	620,834,000	22,976	9.0%
2014	26,914	607,449,000	22,570	7.9%
2015	27,052	565,874,000	20,918	6.6%
2016	26,765	571,905,000	21,368	5.5%

(*) Statistics are from HdL Coren and Cone CAFR Report.

City of Eureka, California
Principal Employers
June 30, 2016
Current Year and Nine Years Ago

2007				
Employer (1)	Type of Business	Employees	Rank	Percentage of Total City Employment (2)
Schmidbauer Lumber	Wood products	165	1	0.23%
SN Servicing Corporation	Financial Services	145	2	0.20%
Costco Wholesale #125	Department Store	127	3	0.18%
Times Standard	Newspaper	106	4	0.15%
Target Stores	Department Store	106	5	0.15%
Pierson Building Center	Lumber & Building Materials	100	6	0.14%
Mervyn's # 206	Department Store	96	7	0.13%
Pacific Choice Seafoods	Fish & Seafoods	90	8	0.12%
Winco Foods	Grocery Store	87	9	0.12%
Eureka Internal Medicine	Medical	84	10	0.12%
Total		1,106		1.54%

2016				
Employer (1)	Type of Business	Employees	Rank	Percentage of Total City Employment (2)
Costco Wholesale # 125	Department Store	187	1	0.27%
Winco Foods	Grocery Store	164	2	0.23%
Walmart	Department Store	150	3	0.21%
Kohl's	Department Store	114	4	0.16%
Schmidbauer Lumber	Wood Products	111	5	0.16%
Target Stores	Department Store	100	6	0.14%
Pierson Building Center	Lumber & Building Materials	100	7	0.14%
Times Standard	Newspaper	89	8	0.13%
North Coast Fabricators	Construction	87	9	0.12%
Pacific Choice Seafoods	Fish & Seafoods	86	10	0.12%
Total		1,188		1.68%

(1) Excludes non-profit and governmental employers.

(2) Total City Employment information is not available for Eureka only. Calculations on this schedule are based on total employment for the Eureka-Arcata-Fortuna Metropolitan area.

Source: Top Ten Employers from City of Eureka business license records
 Metropolitan Total Employment from Bureau of Economic Analysis, Regional Economic Accounts

U.S. Bureau of Economic Analysis (To find Total Employment)

City of Eureka, California
 Full-time Equivalent City Government Employees by Function/Program
 June 30, 2016
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager	3.00	3.00	3.00	1.50	1.50	1.50	2.00	4.50	1.50	1.50
City Clerk / IT	2.00	2.00	2.00	1.50	1.50	1.50	1.50	5.50	5.50	5.50
Personnel	4.00	4.00	4.00	3.00	3.00	3.75	3.80	3.80	3.80	4.00
Finance	15.20	15.20	15.20	14.15	14.05	14.25	15.70	12.20	12.20	11.00
City Attorney	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Police										
Officers	49.00	49.00	50.00	52.00	52.00	53.00	53.00	55.00	55.00	55.00
Civilians	34.00	33.00	31.00	31.00	31.60	31.60	31.60	31.60	32.00	26.00
Fire (2)										
Firefighters and Officers	41.00	41.00	41.00	41.00	42.00	41.00	41.00	41.00	-	-
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-
Parks & Recreation										
Park / Facilities Operations	9.60	9.60	8.80	7.00	8.80	8.80	7.00	9.70	17.70	17.20
Harbor	4.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50
Recreation	7.74	7.94	7.74	7.44	7.44	7.16	7.16	7.86	7.04	7.04
Sequoia Park Zoo	6.25	6.50	6.50	7.30	7.30	7.30	7.30	7.30	7.30	8.30
Public Works										
Administration (1)	-	-	-	3.75	3.45	4.25	4.25	4.25	5.25	4.40
Environmental Programs (1)	-	-	-	0.30	0.30	0.20	0.20	0.20	0.20	-
Building (3)	-	-	-	-	-	-	-	-	4.00	5.30
Engineering	13.00	13.00	11.00	11.00	11.00	11.00	10.00	10.00	9.00	8.00
Streets/Alley Maintenance	4.83	4.83	4.83	4.83	4.83	5.83	5.83	5.00	5.00	7.50
Facilities Operations	8.84	8.84	7.84	7.00	5.00	6.00	6.00	6.00	-	-
Water Distribution Maintenance	11.92	11.42	11.42	10.84	9.84	10.59	10.59	10.00	9.50	7.50
Sewer Collection Maintenance	13.41	12.91	12.91	11.33	10.33	11.08	11.08	10.00	9.50	9.50
Equipment Operations	8.34	8.34	8.34	8.00	8.00	8.00	8.00	8.00	8.00	8.30
Stormwater	4.80	4.80	4.50	3.70	2.70	2.50	2.50	2.80	2.80	1.50
Water Treatment	3.30	3.30	3.90	3.75	5.25	4.25	4.25	5.00	5.00	3.80
Wastewater Treatment	17.00	17.50	17.40	17.25	15.75	15.75	14.75	14.75	14.75	14.20
Development Services										
Community Development	6.00	6.00	6.00	4.50	4.50	5.00	6.00	6.00	12.00	11.00
Redevelopment	5.75	5.75	6.00	6.00	6.00	4.00	4.00	-	-	-
Building (3)	5.40	5.40	5.40	5.30	5.25	6.25	6.25	7.00	-	-
Total	282.38	281.33	275.78	271.44	269.39	272.56	271.76	275.46	234.04	223.04

(1) The Administrative Division and the Environmental Programs Division of the Public Works Department were created in fiscal year 2009-10.

(2) City of Eureka Fire Department positions were eliminated. All personnel were re-hired by Humboldt Bay Fire JPA in fiscal year 14/15.

(3) Building Department was combined with Public Works Department as a separate division.

Notes: A full-time employee is scheduled to work 2080 hours per year (including vacation and sick leave).

Full-time equivalent employment is calculated by dividing total labor hours by 2080.

Source: City of Eureka Finance Department

City of Eureka, California
 Operating Indicators by Function/Program
 June 30, 2016
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Council Agenda Items Considered	345	420	342	229	453	432	280	229	281	281
Ordinances Adopted	5	19	11	11	13	16	13	16	16	16
Resolutions Adopted	52	64	68	73	76	54	44	66	66	66
Finance										
Business Licenses	2,267	2,328	2,331	2,490	2,506	2,546	2,563	2,392	2,499	2,499
Transit										
Passengers	286,684	290,252	269,991	263,933	253,839	265,591	251,497	257,226	236,222	237,677
Revenue Service Miles	310,031	318,295	306,888	265,509	253,972	226,502	236,406	203,601	160,061	158,688
Police										
Physical Arrests	4,638	4,747	4,754	3,186	4,669	5,019	5,686	4,493	4,179	3,808
Parking Violations	2,252	8,292	5,191	2,268	4,572	4,107	4,347	4,290	3,296	3,117
Traffic Violations	4,947	4,069	6,955	5,423	4,508	4,899	3,541	5,639	3,995	2,132
Engineering										
Permits Issued (water, sewer, encroachment)	259	235	188	175	168	193	215	201	228	262
Public Works										
Water Connections	9,785	9,787	9,714	9,940	9,458	9,825	9,905	9,849	10,005	9,975
Average Daily Consumption in Gallons	3,333,499	3,310,200	3,304,753	3,402,438	3,313,307	3,205,389	3,330,260	3,163,115	2,650,634	2,405,910
Wastewater Connections	9,507	9,438	9,595	9,583	9,237	9,825	9,347	9,784	9,859	9,929
Building										
Permits Issued	1,187	1,143	956	1,122	1,011	934	1,103	1,174	1,114	1,214
Community Development										
Permit Applications	309	326	292	280	198	235	261	200	429	559
Zone Reclassifications	3	1	-	1	2	2	-	1	1	-
Amendments to General Plan	3	1	1	1	2	-	1	1	-	1
Redevelopment/Successor Agency										
Business Loans	-	-	-	-	-	-	-	-	-	1
Housing Loans	9	14	16	5	2	-	-	-	2	4
Housing Rehabilitation Loans	6	6	2	2	8	2	1	-	-	-

Sources: Various City Departments

City of Eureka, California
 Capital Asset Statistics by Function/Program
 June 30, 2016
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Satellite Offices	2	2	2	2	2	2	2	2	2	2
Patrol Units	26	26	26	26	26	26	26	26	26	31
Engineering										
Street Lights	1,918	2,230	2,230	2,230	2,154	2,155	2,155	2,230	2,230	2,230
Traffic Signals - City	25	25	25	25	26	26	26	26	26	26
Traffic Signals - State	26	27	27	27	27	27	27	27	27	27
Public Works										
Miles of Streets	125	125	125	125	125	125	125	125	125	125
Miles of Water Line	150	150	150	150	150	150	150	150	150	150
Miles of Sewers	100	100	100	100	100	100	100	100	100	100
Parks and Recreation										
Acreage	242	242	242	242	245	245	245	245	245	245
Parks	13	13	13	14	14	14	14	14	14	14
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Recreation Facilities	10	10	10	10	10	10	10	10	10	10
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Ballfields	4	4	4	4	4	4	4	4	4	4
Outdoor Amphitheater	1	1	1	1	1	1	1	1	1	1
Zoo	1	1	1	1	1	1	1	1	1	1

(1) Increase in this number accounts for lights in City owned parking lots.

Source: Various City departments

City of Eureka, California
Wastewater System
Summary of Historic Operating Results
June 30, 2016
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues (1)										
Service charges	\$ 3,999,115	\$ 4,180,577	\$ 4,344,538	\$ 4,491,800	\$ 4,709,028	\$ 5,268,768	\$ 5,823,364	\$ 6,993,204	\$ 6,791,792	\$ 6,653,859
Connection fees	51,866	63,711	44,493	29,870	9,140	17,770	13,380	13,610	23,940	19,620
Other operating revenues			58,267	232,169	460,540	352,364	83,889	91,185	5,086	8,486
Investment income	305,314	127,869	293,286	199,500	140,524	89,342	23,210	19,658	9,828	10,131
Miscellaneous	4,118	201,821	455,251	542,493	288,650	750,608	2,686,732	751,973	4,397,128	1,576,485
Total revenues	\$ 4,360,413	\$ 4,573,978	\$ 5,195,835	\$ 5,495,832	\$ 5,607,882	\$ 6,478,852	\$ 8,630,575	\$ 7,869,630	\$ 11,227,774	\$ 8,268,581
Expenses (2)	3,719,541	3,819,053	3,901,440	4,167,213	4,458,319	4,222,375	4,689,847	4,387,205	4,805,335	7,960,504
System net revenues	\$ 640,872	\$ 754,925	\$ 1,294,395	\$ 1,328,619	\$ 1,149,563	\$ 2,256,477	\$ 3,940,728	\$ 3,482,425	\$ 6,422,439	\$ 308,077
Debt service										
CSCDA Series 2003A Revenue Bonds	\$ 231,987	\$ 304,798	\$ 266,129	\$ 265,169	\$ 266,931	\$ 262,240	\$ 263,291	\$ 260,171	\$ 260,764	\$ 261,019
Wastewater Revenue Bonds, Series 2011	-	-	-	-	164,828	774,213	1,038,740	1,036,106	1,037,856	1,037,856
Total debt service	\$ 231,987	\$ 304,798	\$ 266,129	\$ 265,169	\$ 431,759	\$ 1,036,453	\$ 1,302,031	\$ 1,296,277	\$ 1,298,620	\$ 1,298,875
Debt service coverage ratio	2.76	2.48	4.86	5.01	2.66	2.18	3.03	2.69	4.95	0.24

(1) Total revenues (including interest) exclusive of intergovernmental.

(2) Excludes depreciation, capital expenditures, and debt service.

Source: City of Eureka financial records

City of Eureka, California
Number of Wastewater Connections by User Type
June 30, 2016

User Type	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Single family residential	7,508	7,716	7,655	7,784	7,525	7,884	7,596	7,922	7,952	8,002
Multiple family residential	707	703	778	744	702	734	696	753	776	785
Commercial / Industrial	1,042	1,020	1,162	1,055	1,010	1,078	1,055	1,109	1,131	1,142
Total	9,257	9,439	9,595	9,583	9,237	9,696	9,347	9,784	9,859	9,929

Source: City of Eureka financial records

**City of Eureka, California
Wastewater System
Service Charge Revenues by Class of User
June 30, 2016**

User Type	Year Revenue (1)	Percentage of Total Service Charge Revenue
Single family residential	\$ 3,247,083	48.8%
Multiple family residential	904,925	13.6%
Commercial / Industrial	2,508,505	37.7%
Total	\$ 6,653,859	100%

(1) Excludes revenues from customers outside city limits.

Source: City of Eureka financial records

**City of Eureka, California
Wastewater System
Largest Users by Service Charge Revenues
June 30, 2016**

User (1)	Type of Business	Service Charge Revenue	Percentage of Annual Service Charge Revenue
Pacific Seafood	Food Processing	\$ 134,880	2.03%
Red House Fandango LLC	Commercial	110,215	1.66%
RL Eureka, LLC	Hotel	46,036	0.69%
Mission Linen Supply	Laundry Service	43,831	0.66%
Costco Wholesale #125	Department Store	35,205	0.53%

(1) Excludes non-profit and governmental employers

Source: City of Eureka financial records

City of Eureka, California
Water System
Summary of Historic Operating Results
June 30, 2016
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues (1)										
Service Charges	\$ 5,105,843	\$ 4,785,606	\$ 5,204,095	\$ 5,203,959	\$ 5,498,292	\$ 6,250,374	\$ 6,621,231	\$ 7,669,759	\$ 7,574,536	\$ 7,569,819
Connection Fees	44,775	70,159	53,449	57,237	55,351	67,180	141,809	80,170	115,217	109,227
Investment income	253,697	283,530	316,492	184,899	75,659	75,739	37,012	7,443	1,430	9,975
Miscellaneous	129,737	220,245	2,024	1,094	8,554	12,136	17,067	4,562	24,906	9,729
Total revenues	<u>5,534,052</u>	<u>5,359,540</u>	<u>5,576,060</u>	<u>5,447,189</u>	<u>5,637,856</u>	<u>6,405,429</u>	<u>6,817,119</u>	<u>7,761,934</u>	<u>7,716,089</u>	<u>7,698,750</u>
Expenses (2)	<u>3,215,595</u>	<u>2,995,541</u>	<u>3,168,209</u>	<u>3,789,650</u>	<u>4,089,787</u>	<u>4,159,856</u>	<u>4,542,895</u>	<u>5,313,494</u>	<u>5,098,576</u>	<u>5,301,682</u>
System net revenues	<u>\$ 2,318,457</u>	<u>\$ 2,363,999</u>	<u>\$ 2,407,851</u>	<u>\$ 1,657,539</u>	<u>\$ 1,548,069</u>	<u>\$ 2,245,573</u>	<u>\$ 2,274,224</u>	<u>\$ 2,448,440</u>	<u>\$ 2,617,513</u>	<u>\$ 2,397,068</u>
Parity Debt service										
CSCDA Series 2002B Revenue Bonds	\$ 253,843	\$ 235,395	\$ 223,840	\$ 235,045	\$ 257,054	\$ 257,863	\$ 254,418	\$ 254,286	\$ 253,868	\$ 253,236
CSCDA Series 2005C Revenue Bonds	598,923	659,893	651,397	647,287	652,162	646,395	619,060	616,983	614,109	615,323
CSCDA Series 2006A Revenue Bonds	130,232	119,666	120,343	123,465	124,083	119,611	117,856	120,984	118,956	116,859
Water Revenue Bonds Series 2012	-	-	-	-	-	20,501	424,800	424,800	424,800	424,800
Total debt service	<u>\$ 982,998</u>	<u>\$ 1,014,954</u>	<u>\$ 995,580</u>	<u>\$ 1,005,797</u>	<u>\$ 1,033,299</u>	<u>\$ 1,044,370</u>	<u>\$ 1,416,134</u>	<u>\$ 1,417,053</u>	<u>\$ 1,411,733</u>	<u>\$ 1,410,218</u>
Debt service coverage ratio	2.36	2.33	2.42	1.65	1.50	2.15	1.61	1.73	1.85	1.70

- (1) Total revenues (including interest) exclusive of intergovernmental
(2) Excludes depreciation, capital expenditures, and debt service
(3) The CSCDA Series 2000A Revenue Bonds were defeased in September 2005

Source: City of Eureka financial records

City of Eureka, California
Number of Water Connections by User Type
June 30, 2016

User Type	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Single family residential	7885	7,910	7,775	7,973	7,611	7,898	7,924	7,914	7,955	7,963
Multiple family residential	719	740	778	767	717	748	754	756	800	791
Commercial / Industrial	1124	1,137	1,041	1,169	1,099	1,148	1,227	1,179	1,250	1,221
Total	<u>9,728</u>	<u>9,787</u>	<u>9,594</u>	<u>9,909</u>	<u>9,427</u>	<u>9,794</u>	<u>9,905</u>	<u>9,849</u>	<u>10,005</u>	<u>9,975</u>

Source: City of Eureka financial records

**City of Eureka, California
Water System
Service Charge Revenues by Class of User
June 30, 2016**

User Type	Year Revenue (1)	Percentage of Total Service Charge Revenue
Single family residential	\$6,055,855	80%
Multiple family residential	\$605,586	8%
Commercial / Industrial	\$908,378	12%
Total	\$7,569,819	100%

(1) Excludes revenues from customers outside city limits.

Source: City of Eureka financial records

**City of Eureka, California
Water System
Largest Users by Service Charge Revenues
June 30, 2016**

User (1)	Type of Business	Service Charge Revenue	Percentage of Annual Service Charge Revenue
Pacific Seafood	Food Processing	\$ 136,664	2.0%
Red House Fandango LLC	Commercial	33,361	0.5%
Coast Seafoods Co	Food Processing	32,937	0.5%
Mission Linen Supply	Laundry Service	23,045	0.3%
Holiday Inn Express	Hotel	20,572	0.3%

(1) Excludes non-profit and governmental employers

Source: City of Eureka financial records