

CITY OF EUREKA
FINANCIAL STATEMENTS
JUNE 30, 2015

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2015**

TABLE OF CONTENTS

| | Page |
|---|-------------|
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report..... | 1 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 5 |
| Statement of Activities..... | 6 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet..... | 8 |
| Reconciliation of the Governmental Funds – Balance Sheet to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 12 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 15 |
| Proprietary Funds: | |
| Statement of Net Position..... | 16 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 20 |
| Statement of Cash Flows | 22 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position..... | 26 |
| Statement of Changes in Fiduciary Net Position..... | 27 |
| Notes to Basic Financial Statements | 29 |
| Required Supplementary Information: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – | |
| General Fund..... | 85 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – | |
| Successor Housing Authority Special Revenue Fund | 86 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – | |
| Housing Special Revenue Fund..... | 87 |
| Schedule of Funding Progress- Local Employees' Retirement System (LERS) | 88 |
| Schedule of Changes in the Net Pension Liability and Related Ratios as of Measurement Date - | |
| Miscellaneous Plan | 90 |
| Schedule of Contributions – Miscellaneous Plan..... | 91 |
| Schedule of Plan's Proportionate Share of Net Pension Liability and Related Ratios as of | |
| Measurement Date – Safety Plan | 92 |
| Schedule of Contributions – Safety Plan | 93 |

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2015**

TABLE OF CONTENTS (CONTINUED)

| <u>FINANCIAL SECTION (CONTINUED)</u> | Page |
|---|-------------|
| Combining and Individual Fund Statements and Schedules: | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet..... | 96 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 98 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual– Budgeted Nonmajor Governmental Funds | 100 |
| Internal Service Funds: | |
| Combining Statement of Net Position | 106 |
| Combining Statement of Revenues, Expenses, and Change in Net Position | 107 |
| Combining Statement of Cash Flows..... | 108 |
| Fiduciary Funds: | |
| Combining Statement of Net Position | 110 |
| Combining Statement of Changes in Net Position..... | 111 |
| Agency Fund: | |
| Statement of Changes in Assets and Liabilities..... | 112 |
| <u>STATISTICAL SECTION</u> | |
| Statistical section table of contents..... | 113 |
| Net Position by Component | 114 |
| Changes in Net Position..... | 115 |
| Fund Balances, Governmental Funds | 116 |
| Changes in Fund Balances, Governmental Funds | 117 |
| Tax Revenues by Source, Governmental Funds | 119 |
| Taxable Sales by Category | 120 |
| Transaction and Use Tax by Category | 121 |
| Direct and Overlapping Sales Tax Rates..... | 122 |
| Net Taxable Assessed Value History..... | 123 |
| Property Tax Rates | 124 |
| Principal Property Taxpayers..... | 125 |
| Property Tax Levies and Collections | 126 |
| Ratios of Outstanding Debt by Type | 127 |
| Ratios of General Bonded Debt Outstanding..... | 129 |
| Computation of Direct and Overlapping Debt | 130 |

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2015**

TABLE OF CONTENTS (CONTINUED)

| <u>STATISTICAL SECTION (CONTINUED)</u> | Page |
|---|-------------|
| Legal Debt Margin Information..... | 131 |
| Revenue Bond Coverage..... | 132 |
| Demographic and Economic Statistics | 135 |
| Principal Employers | 136 |
| Full-time Equivalent City Government Employees by Function/Program..... | 137 |
| Operating Indicators by Function/Program | 138 |
| Capital Asset Statistics by Function/Program..... | 139 |
| Wastewater Disclosure I | 140 |
| Wastewater Disclosure II | 142 |
| Water Disclosure I..... | 144 |
| Water Disclosure II..... | 146 |

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, 2015, 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, 2015, 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, 2014, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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, 2016, 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, LLP
Culver City, California
March 31, 2016

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CITY OF EUREKA
STATEMENT OF NET POSITION
June 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and investments | \$ 5,273,951 | \$ 11,014,601 | \$ 16,288,552 |
| Cash and investments with fiscal agents | 43,690 | 7,079,493 | 7,123,183 |
| Accounts receivable | 7,458,769 | 5,487,506 | 12,946,275 |
| Interest receivable | 1,966,926 | 45,391 | 2,012,317 |
| Prepaid items | 60,837 | 6,681 | 67,518 |
| Inventory | | 2,520 | 2,520 |
| Notes and loans receivable | 12,092,668 | | 12,092,668 |
| Internal balances | (2,914,497) | 2,914,497 | |
| Land held for resale | 524,368 | | 524,368 |
| Due from RDA Successor Agency | 656,101 | 1,951,434 | 2,607,535 |
| Net pension asset | 1,993,598 | | 1,993,598 |
| Capital assets, not being depreciated | 29,511,537 | 47,897,695 | 77,409,232 |
| Capital assets, net of accumulated depreciation | 45,377,171 | 51,976,539 | 97,353,710 |
| Total Assets | 102,045,119 | 128,376,357 | 230,421,476 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 3,255,071 | 664,284 | 3,919,355 |
| Deferred loss on refunding | | 355,771 | 355,771 |
| Total Deferred Outflows of Resources | 3,255,071 | 1,020,055 | 4,275,126 |
| Total Assets and Deferred Outflows of Resources | 105,300,190 | 129,396,412 | 234,696,602 |
| LIABILITIES | | | |
| Accounts payable | 4,161,215 | 1,872,291 | 6,033,506 |
| Payroll and related liabilities | 324,444 | 104,773 | 429,217 |
| Deposits payable | 74,825 | 273,114 | 347,939 |
| Accrued interest payable | 14,663 | 446,820 | 461,483 |
| Claims and judgments payable | 190,157 | | 190,157 |
| Unearned revenue | | 633 | 633 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,504,332 | 1,630,994 | 3,135,326 |
| Due in more than one year | 38,720,143 | 48,270,754 | 86,990,897 |
| Total Liabilities | 44,989,779 | 52,599,379 | 97,589,158 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 7,249,713 | 1,736,812 | 8,986,525 |
| Total Liabilities and Deferred Inflows of Resources | 52,239,492 | 54,336,191 | 106,575,683 |
| NET POSITION | | | |
| Net investment in capital assets | 74,086,086 | 68,041,654 | 142,127,740 |
| Restricted for: | | | |
| Public safety | 820,142 | | 820,142 |
| Streets and roads | 422,871 | | 422,871 |
| Public health | 159,510 | | 159,510 |
| Housing | 14,726,650 | | 14,726,650 |
| Airport | 44,876 | | 44,876 |
| Unrestricted | (37,199,437) | 7,018,567 | (30,180,870) |
| Total Net Position | \$ 53,060,698 | \$ 75,060,221 | \$ 128,120,919 |

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, 2015**

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,512,445 | \$ 3,039,949 | \$ 163,925 | \$ - |
| Community development | 3,603,437 | 292,129 | 2,738,518 | |
| Public safety | 18,718,608 | 966,910 | 511,813 | |
| Public works | 5,062,481 | 93,153 | 1,135,930 | 1,741,845 |
| Parks and recreation | 3,399,624 | 882,453 | | 3,734,029 |
| Interest on long-term debt | 40,434 | | | |
| Total Governmental | <u>34,337,029</u> | <u>5,274,594</u> | <u>4,550,186</u> | <u>5,475,874</u> |
| Business-type activities: | | | | |
| Water | 6,911,668 | 7,714,657 | | |
| Wastewater | 6,067,647 | 11,218,893 | | |
| Harbor | 1,138,937 | 918,264 | | |
| Building | 1,309,222 | 1,507,249 | | |
| Transit | 2,140,261 | 1,721,357 | | |
| Golf | 13,282 | 26,256 | | |
| Total Business-type Activities | <u>17,581,017</u> | <u>23,106,676</u> | | |
| Total | <u>\$ 51,918,046</u> | <u>\$ 28,381,270</u> | <u>\$ 4,550,186</u> | <u>\$ 5,475,874</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> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (308,571) | \$ - | \$ (308,571) |
| (572,790) | | (572,790) |
| (17,239,885) | | (17,239,885) |
| (2,091,553) | | (2,091,553) |
| 1,216,858 | | 1,216,858 |
| (40,434) | | (40,434) |
| <u>(19,036,375)</u> | | <u>(19,036,375)</u> |
| | 802,989 | 802,989 |
| | 5,151,246 | 5,151,246 |
| | (220,673) | (220,673) |
| | 198,027 | 198,027 |
| | (418,904) | (418,904) |
| | 12,974 | 12,974 |
| | <u>5,525,659</u> | <u>5,525,659</u> |
| <u>(19,036,375)</u> | <u>5,525,659</u> | <u>(13,510,716)</u> |
| 3,874,764 | | 3,874,764 |
| 16,097,253 | | 16,097,253 |
| 882,318 | | 882,318 |
| 11,181 | | 11,181 |
| 2,419,501 | | 2,419,501 |
| 237,672 | | 237,672 |
| 10,025 | 14,894 | 24,919 |
| 285,182 | | 285,182 |
| <u>23,817,896</u> | <u>14,894</u> | <u>23,832,790</u> |
| <u>4,781,521</u> | <u>5,540,553</u> | <u>10,322,074</u> |
| 83,022,065 | 80,635,307 | 163,657,372 |
| (34,742,888) | (11,115,639) | (45,858,527) |
| <u>48,279,177</u> | <u>69,519,668</u> | <u>117,798,845</u> |
| <u>\$ 53,060,698</u> | <u>\$ 75,060,221</u> | <u>\$ 128,120,919</u> |

**CITY OF EUREKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015**

| | General | Successor Housing Authority | Housing |
|--|--------------|-----------------------------------|--------------|
| ASSETS | | | |
| Cash and investments | \$ - | \$ 6,127 | \$ 1,444,052 |
| Cash and investments with fiscal agents | 43,690 | | |
| Accounts receivable | 4,732,440 | | 2,010,054 |
| Prepaid items | 40,837 | | |
| Notes and loans receivable | | 7,894,513 | 4,198,155 |
| Advances to RDA Successor Agency | | 656,101 | |
| Land held for resale | | 524,368 | |
| Total Assets | \$ 4,816,967 | \$ 9,081,109 | \$ 7,652,261 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,314,104 | \$ 3,550 | \$ 1,999,626 |
| Due to other funds | 640,518 | | |
| Deposits payable | 74,735 | | 90 |
| Payroll and related liabilities | 286,557 | 3,454 | |
| Total Liabilities | 2,315,914 | 7,004 | 1,999,716 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenues | 424,132 | 7,894,513 | 4,198,155 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Prepaid expenditures | 40,837 | | |
| Restricted | | 1,179,592 | 1,454,390 |
| Unassigned | 2,036,084 | | |
| Total Fund Balances | 2,076,921 | 1,179,592 | 1,454,390 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 4,816,967 | \$ 9,081,109 | \$ 7,652,261 |

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

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 1,118,740 | \$ 2,568,919 |
| | 43,690 |
| 707,084 | 7,449,578 |
| | 40,837 |
| | 12,092,668 |
| | 656,101 |
| | 524,368 |
| <u>\$ 1,825,824</u> | <u>\$ 23,376,161</u> |

| | |
|------------------|------------------|
| \$ 339,483 | \$ 3,656,763 |
| 1,336,153 | 1,976,671 |
| | 74,825 |
| <u>14,066</u> | <u>304,077</u> |
| <u>1,689,702</u> | <u>6,012,336</u> |

| |
|-------------------|
| <u>12,516,800</u> |
|-------------------|

| | |
|---------------------|----------------------|
| | 40,837 |
| 1,447,399 | 4,081,381 |
| (1,311,277) | 724,807 |
| <u>136,122</u> | <u>4,847,025</u> |
| <u>\$ 1,825,824</u> | <u>\$ 23,376,161</u> |

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CITY OF EUREKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2015

Fund balances of governmental funds \$ 4,847,025

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 | \$ 160,807,809 | |
| Less: accumulated depreciation | <u>(85,919,101)</u> | 74,888,708 |

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. (14,663)

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 | (1,194,679) | |
| Net pension liability | (38,183,484) | |
| Capital lease payable | <u>(846,312)</u> | (40,224,475) |

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 \$1,559,814, (\$115,878), (\$1,984,216), and (\$47,260) respectively). 876,394

In governmental funds, other long-term assets include notes and loan receivable, and accounts receivable are not available to pay for current-period expenditures, and therefore, are offset by unavailable revenues. 12,516,800

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. 1,993,598

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 | \$ (6,917,700) | |
| Deferred outflows of resources relating to pensions | <u>3,128,085</u> | |
| Net | | (3,789,615) |

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

| | | |
|---|--|------------------|
| Interest receivable on loans receivable | | <u>1,966,926</u> |
|---|--|------------------|

Net position of governmental activities \$ 53,060,698

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, 2015**

| | General | Successor Housing Authority | Housing |
|---|---------------------|-----------------------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 20,548,084 | \$ - | \$ - |
| Licenses, permits, and fees | 962,919 | | |
| Fines and penalties | 338,851 | | |
| Investment income | 10,025 | | |
| Intergovernmental | 2,494,320 | | 2,486,157 |
| Charges for services | 4,344,817 | | |
| Other revenues | 217,892 | 41,166 | 119,961 |
| Total Revenues | <u>28,916,908</u> | <u>41,166</u> | <u>2,606,118</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,684,498 | | |
| Public safety | 18,568,144 | | |
| Public works | 2,026,623 | | |
| Community development | 770,092 | 145,921 | 3,180,041 |
| Culture and recreation | 3,073,410 | | |
| Capital outlay | 497,305 | | |
| Debt service: | | | |
| Principal payments | 238,421 | | |
| Interest and fiscal charges | 42,685 | | |
| Total Expenditures | <u>28,901,178</u> | <u>145,921</u> | <u>3,180,041</u> |
| Excess of Revenues Over (Under) Expenditures | <u>15,730</u> | <u>(104,755)</u> | <u>(573,923)</u> |
| Fund Balances, beginning of fiscal year | 2,061,191 | 1,284,347 | 2,028,313 |
| Prior Period Adjustments | | | |
| Fund Balances, beginning of fiscal year, restated | <u>2,061,191</u> | <u>1,284,347</u> | <u>2,028,313</u> |
| Fund Balances, end of fiscal year | <u>\$ 2,076,921</u> | <u>\$ 1,179,592</u> | <u>\$ 1,454,390</u> |

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

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ - | \$ 20,548,084 |
| 54,839 | 1,017,758 |
| 182,132 | 520,983 |
| | 10,025 |
| 3,325,879 | 8,306,356 |
| 83,824 | 4,428,641 |
| 60,757 | 439,776 |
| <u>3,707,431</u> | <u>35,271,623</u> |
| | 3,684,498 |
| 214,343 | 18,782,487 |
| 1,275,618 | 3,302,241 |
| | 4,096,054 |
| | 3,073,410 |
| 2,176,081 | 2,673,386 |
| | 238,421 |
| | 42,685 |
| <u>3,666,042</u> | <u>35,893,182</u> |
| <u>41,389</u> | <u>(621,559)</u> |
| 180,445 | 5,554,296 |
| <u>(85,712)</u> | <u>(85,712)</u> |
| <u>94,733</u> | <u>5,468,584</u> |
| <u>\$ 136,122</u> | <u>\$ 4,847,025</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, 2015**

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 \$ (621,559)

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 | \$ 1,464,526 | |
| Depreciation expense not reported in governmental funds | (2,848,132) | |
| Capital assets contributed by third parties | <u>3,734,029</u> | 2,350,423 |

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 | | 238,421 |
|-----------------------------|--|---------|

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 | 212,166 | |
| Notes receivable | <u>1,944,721</u> | 2,156,887 |

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 | 7,086 | |
| Compensated absences | <u>327,690</u> | 334,776 |

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.

(45,409)

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 | | (109,334) |
|---------------|--|-----------|

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.

309,800

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.

167,516

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 4,781,521

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, 2015**

| ASSETS | Enterprise Funds | | |
|---|------------------|--------------|-------------|
| | Water | Wastewater | Harbor |
| Current Assets: | | | |
| Cash and investments | \$ 1,471,468 | \$ 9,315,077 | \$ - |
| Cash and investments with fiscal agents | 6,041,146 | 1,038,347 | |
| Accounts receivable - net | 887,654 | 1,954,365 | 26,963 |
| Interest receivable | | 45,391 | |
| Prepaid items | | | 6,681 |
| Inventory | | | |
| Due from other funds | 5,674,676 | | |
| Total current assets | 14,074,944 | 12,353,180 | 33,644 |
| Noncurrent Assets: | | | |
| Advances to RDA Successor Agency | 146,111 | 1,805,323 | |
| Total noncurrent assets | 146,111 | 1,805,323 | |
| Capital Assets: | | | |
| Nondepreciable | | | |
| Land | 1,052,115 | 5,073,142 | 5,155,468 |
| Construction in progress | 2,752,727 | 33,415,101 | |
| Total nondepreciable capital assets | 3,804,842 | 38,488,243 | 5,155,468 |
| Depreciable | | | |
| Infrastructure | 14,817,807 | 4,977,866 | |
| Buildings | 723,908 | 6,264,431 | 4,646,614 |
| Improvements | 5,004,226 | 19,985,017 | 10,588,465 |
| Equipment | 16,059,655 | 32,546,256 | 1,116,705 |
| Total depreciable capital assets | 36,605,596 | 63,773,570 | 16,351,784 |
| Less accumulated depreciation | (14,227,154) | (42,979,449) | (8,434,980) |
| Net depreciable capital assets | 22,378,442 | 20,794,121 | 7,916,804 |
| Total capital assets, net | 26,183,284 | 59,282,364 | 13,072,272 |
| Total capital and noncurrent assets | 26,329,395 | 61,087,687 | 13,072,272 |
| Total Assets | 40,404,339 | 73,440,867 | 13,105,916 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 219,994 | 316,051 | 47,022 |
| Deferred loss on refunding | 355,771 | | |
| Total deferred outflows of resources | 575,765 | 316,051 | 47,022 |
| Total Assets and Deferred Outflows of Resources | 40,980,104 | 73,756,918 | 13,152,938 |

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 | |
| \$ - | \$ - | \$ 228,056 | \$ 11,014,601 | \$ 2,705,032 |
| | | | 7,079,493 | |
| 1,266,605 | 1,351,919 | | 5,487,506 | 9,191 |
| | | | 45,391 | |
| | | | 6,681 | 20,000 |
| | 2,520 | | 2,520 | |
| | | | 5,674,676 | |
| <u>1,266,605</u> | <u>1,354,439</u> | <u>228,056</u> | <u>29,310,868</u> | <u>2,734,223</u> |
| | | | 1,951,434 | |
| | | | 1,951,434 | |
| | | 418,075 | 11,698,800 | |
| | | 31,067 | 36,198,895 | |
| | | 449,142 | 47,897,695 | |
| | | | 19,795,673 | |
| | | 50,244 | 11,685,197 | 429,246 |
| | | 243,087 | 35,820,795 | 31,236 |
| <u>116,950</u> | <u>3,155,460</u> | | <u>52,995,026</u> | <u>8,593,292</u> |
| 116,950 | 3,155,460 | 293,331 | 120,296,691 | 9,053,774 |
| <u>(83,765)</u> | <u>(2,344,353)</u> | <u>(250,451)</u> | <u>(68,320,152)</u> | <u>(7,493,960)</u> |
| <u>33,185</u> | <u>811,107</u> | <u>42,880</u> | <u>51,976,539</u> | <u>1,559,814</u> |
| <u>33,185</u> | <u>811,107</u> | <u>492,022</u> | <u>99,874,234</u> | <u>1,559,814</u> |
| <u>33,185</u> | <u>811,107</u> | <u>492,022</u> | <u>101,825,668</u> | <u>1,559,814</u> |
| <u>1,299,790</u> | <u>2,165,546</u> | <u>720,078</u> | <u>131,136,536</u> | <u>4,294,037</u> |
| 80,298 | | 919 | 664,284 | 126,986 |
| | | | 355,771 | |
| <u>80,298</u> | | <u>919</u> | <u>1,020,055</u> | <u>126,986</u> |
| <u>1,380,088</u> | <u>2,165,546</u> | <u>720,997</u> | <u>132,156,591</u> | <u>4,421,023</u> |

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2015
 (Continued)**

| LIABILITIES | Enterprise Funds | | |
|---|------------------|---------------|--------------|
| | Water | Wastewater | Harbor |
| Current Liabilities: | | | |
| Accounts payable | \$ 519,193 | \$ 939,898 | \$ 223,516 |
| Payroll and related liabilities | 31,826 | 55,682 | 8,340 |
| Deposits payable | 241,798 | | 31,316 |
| Due to other funds | | | 396,392 |
| Unearned revenue | 633 | | |
| Accrued interest payable | 227,539 | 219,281 | |
| Claims and judgments payable | | | |
| Bonds payable, current portion | 570,000 | 430,000 | |
| Capital lease payable, current portion | 354,794 | | |
| Compensated absences, current portion | 78,238 | 122,960 | 20,602 |
| Unamortized premium, current portion | 16,705 | 5,344 | |
| Total current liabilities | 2,040,726 | 1,773,165 | 680,166 |
| Noncurrent Liabilities: | | | |
| Capital lease payable | 312,755 | | |
| Loan payable | | | 1,687,552 |
| Bonds payable | 17,775,000 | 17,675,000 | |
| Net pension liability | 3,437,511 | 4,938,447 | 734,741 |
| Unamortized premium | 250,423 | 190,271 | |
| Total noncurrent liabilities | 21,775,689 | 22,803,718 | 2,422,293 |
| Total Liabilities | 23,816,415 | 24,576,883 | 3,102,459 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 575,188 | 826,335 | 122,942 |
| Total deferred inflows of resources | 575,188 | 826,335 | 122,942 |
| Total Liabilities and Deferred Inflows of Resources | 24,391,603 | 25,403,218 | 3,225,401 |
| NET POSITION | | | |
| Net investment in capital assets | 13,300,524 | 42,020,096 | 11,384,720 |
| Unrestricted | 3,287,977 | 6,333,604 | (1,457,183) |
| Total Net Position (Deficit) | \$ 16,588,501 | \$ 48,353,700 | \$ 9,927,537 |

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 | |
| \$ 14,467 | \$ 163,022 | \$ 12,195 | \$ 1,872,291 | \$ 504,452 |
| 8,804 | | 121 | 104,773 | 20,367 |
| | | | 273,114 | |
| 1,264,483 | 1,099,304 | | 2,760,179 | 937,826 |
| | | | 633 | |
| | | | 446,820 | |
| | | | | 190,157 |
| | | | 1,000,000 | |
| | | | 354,794 | 57,133 |
| 32,162 | | 189 | 254,151 | 47,260 |
| | | | 22,049 | |
| <u>1,319,916</u> | <u>1,262,326</u> | <u>12,505</u> | <u>7,088,804</u> | <u>1,757,195</u> |
| | | | 312,755 | 58,745 |
| | | | 1,687,552 | |
| | | | 35,450,000 | |
| 1,254,694 | | 14,360 | 10,379,753 | 1,984,216 |
| | | | 440,694 | |
| <u>1,254,694</u> | <u></u> | <u>14,360</u> | <u>48,270,754</u> | <u>2,042,961</u> |
| <u>2,574,610</u> | <u>1,262,326</u> | <u>26,865</u> | <u>55,359,558</u> | <u>3,800,156</u> |
| <u>209,944</u> | <u></u> | <u>2,403</u> | <u>1,736,812</u> | <u>332,013</u> |
| <u>209,944</u> | <u></u> | <u>2,403</u> | <u>1,736,812</u> | <u>332,013</u> |
| <u>2,784,554</u> | <u>1,262,326</u> | <u>29,268</u> | <u>57,096,370</u> | <u>4,132,169</u> |
| 33,185 | 811,107 | 492,022 | 68,041,654 | 1,559,814 |
| (1,437,651) | 92,113 | 199,707 | 7,018,567 | (1,270,960) |
| <u>\$ (1,404,466)</u> | <u>\$ 903,220</u> | <u>\$ 691,729</u> | <u>\$ 75,060,221</u> | <u>\$ 288,854</u> |

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Enterprise Funds | | |
|---|----------------------|----------------------|---------------------|
| | Water | Wastewater | Harbor |
| Operating Revenues: | | | |
| Charges for services | \$ 7,689,752 | \$ 6,815,733 | \$ 693,982 |
| Other operating revenues | 24,905 | 4,403,160 | |
| Intergovernmental | | | 224,282 |
| Total Operating Revenues | <u>7,714,657</u> | <u>11,218,893</u> | <u>918,264</u> |
| Operating Expenses: | | | |
| Purchase of water | 2,389,766 | | |
| Maintenance and operation | 2,208,670 | 3,594,953 | 678,909 |
| Administration | 475,909 | 415,297 | 23,773 |
| Insurance costs and claims | 94,237 | 110,838 | 23,763 |
| Depreciation | 834,562 | 1,071,531 | 331,980 |
| Total Operating Expenses | <u>6,003,144</u> | <u>5,192,619</u> | <u>1,058,425</u> |
| Operating Income (Loss) | <u>1,711,513</u> | <u>6,026,274</u> | <u>(140,161)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Investment income | 1,519 | 9,828 | 3,547 |
| Interest expense | (908,524) | (875,028) | (80,512) |
| Total Non-Operating Revenue (Expense) | <u>(907,005)</u> | <u>(865,200)</u> | <u>(76,965)</u> |
| Change in Net Position | <u>804,508</u> | <u>5,161,074</u> | <u>(217,126)</u> |
| Net Position (Deficit), beginning of fiscal year | 19,510,282 | 48,409,082 | 10,941,408 |
| Prior Period Adjustments | (3,726,289) | (5,216,456) | (796,745) |
| Net Position (Deficit), beginning of fiscal year, restated | <u>15,783,993</u> | <u>43,192,626</u> | <u>10,144,663</u> |
| Net Position (Deficit), end of fiscal year | <u>\$ 16,588,501</u> | <u>\$ 48,353,700</u> | <u>\$ 9,927,537</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 | |
| \$ 1,466,942 | \$ 377,034 | \$ - | \$ 17,043,443 | \$ 4,666,827 |
| 40,307 | | 26,256 | 4,494,628 | 2,311 |
| | 1,344,323 | | 1,568,605 | |
| 1,507,249 | 1,721,357 | 26,256 | 23,106,676 | 4,669,138 |
| | | | 2,389,766 | |
| 1,243,238 | 1,834,175 | 8,168 | 9,568,113 | 2,296,803 |
| 36,177 | | 290 | 951,446 | |
| 16,766 | 44,278 | 465 | 290,347 | 1,670,354 |
| 13,041 | 261,808 | 4,359 | 2,517,281 | 529,630 |
| 1,309,222 | 2,140,261 | 13,282 | 15,716,953 | 4,496,787 |
| 198,027 | (418,904) | 12,974 | 7,389,723 | 172,351 |
| | | | 14,894 | |
| | | | (1,864,064) | (4,835) |
| | | | (1,849,170) | (4,835) |
| 198,027 | (418,904) | 12,974 | 5,540,553 | 167,516 |
| (241,916) | 1,322,124 | 694,327 | 80,635,307 | 2,273,000 |
| (1,360,577) | | (15,572) | (11,115,639) | (2,151,662) |
| (1,602,493) | 1,322,124 | 678,755 | 69,519,668 | 121,338 |
| \$ (1,404,466) | \$ 903,220 | \$ 691,729 | \$ 75,060,221 | \$ 288,854 |

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Enterprise Funds | | |
|--|---------------------|----------------------|------------------|
| | Water | Wastewater | Harbor |
| Cash Flows from Operating Activities: | | | |
| Receipts from customers/interfund charges | \$ 7,868,756 | \$ 14,673,956 | \$ 924,247 |
| Payments to suppliers and users | (3,525,038) | (2,546,820) | (190,781) |
| Payments to employees | (1,596,309) | (2,289,238) | (327,530) |
| Net Cash Provided (Used) by Operating Activities | <u>2,747,409</u> | <u>9,837,898</u> | <u>405,936</u> |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Due to/from other funds | (822,048) | 333,135 | 68,538 |
| Taxes received | | | (28,417) |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(822,048)</u> | <u>333,135</u> | <u>40,121</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisitions of capital assets | (116,124) | (7,950,857) | |
| Interest paid | (902,667) | (883,621) | (161,264) |
| Principal payments - long-term debt | (863,869) | (415,000) | (289,162) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,882,660)</u> | <u>(9,249,478)</u> | <u>(450,426)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest received | 1,519 | 12,083 | 4,369 |
| Net Cash Provided (Used) by Investing Activities | <u>1,519</u> | <u>12,083</u> | <u>4,369</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 44,220 | 933,638 | |
| Cash and Cash Equivalents, July 1, 2014 | <u>7,468,394</u> | <u>9,419,786</u> | |
| Cash and Cash Equivalents, June 30, 2015 | <u>\$ 7,512,614</u> | <u>\$ 10,353,424</u> | <u>\$ -</u> |
| Reconciliation of Cash and Cash Equivalents To Statement of Net Position | | | |
| Cash and investments | \$ 1,471,468 | \$ 9,315,077 | \$ - |
| Cash and investments with fiscal agents | <u>6,041,146</u> | <u>1,038,347</u> | |
| Total Cash and Cash Equivalents | <u>\$ 7,512,614</u> | <u>\$ 10,353,424</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 | |
| \$ 1,048,025 | \$ 1,949,123 | \$ 33,163 | \$ 26,497,270 | \$ 4,669,250 |
| (791,337) | (1,740,825) | | (8,794,801) | (3,201,914) |
| (497,684) | | (5,594) | (4,716,355) | (848,700) |
| (240,996) | 208,298 | 27,569 | 12,986,114 | 618,636 |
| 240,996 | (208,298) | | (387,677) | (122,252) |
| | | | (28,417) | |
| 240,996 | (208,298) | | (416,094) | (122,252) |
| | | (24,227) | (8,091,208) | (208,392) |
| | | | (1,947,552) | (4,835) |
| | | | (1,568,031) | (55,566) |
| | | (24,227) | (11,606,791) | (268,793) |
| | | | 17,971 | |
| | | | 17,971 | |
| | | 3,342 | 981,200 | 227,591 |
| | | 224,714 | 17,112,894 | 2,477,441 |
| \$ - | \$ - | \$ 228,056 | \$ 18,094,094 | \$ 2,705,032 |
| \$ - | \$ - | \$ 228,056 | \$ 11,014,601 | \$ 2,705,032 |
| | | | 7,079,493 | |
| \$ - | \$ - | \$ 228,056 | \$ 18,094,094 | \$ 2,705,032 |

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)**

| | Enterprise Funds | | |
|---|------------------|--------------|--------------|
| | Water | Wastewater | Harbor |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ 1,711,513 | \$ 6,026,274 | \$ (140,161) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | 834,562 | 1,071,531 | 331,980 |
| (Increase) Decrease in Operating Assets: | | | |
| Accounts receivable | 138,969 | 3,455,063 | 6,273 |
| Prepaid expenses | | | (6,681) |
| Deferred outflows of resources - pensions | 67,253 | 96,618 | 14,375 |
| Increase (Decrease) in Operating Liabilities: | | | |
| Accounts payable | 23,327 | (786,993) | 196,625 |
| Deposits payable | 14,937 | | (290) |
| Unearned revenue | 193 | | |
| Payroll and related liabilities | 870 | 1,407 | 475 |
| Deferred inflows of resources - pensions | 575,188 | 826,335 | 122,942 |
| Net pension liability | (577,334) | (829,419) | (123,401) |
| Claims and judgments payable | | | |
| Compensated absences | (42,069) | (22,918) | 3,799 |
| Net Cash Provided (Used) by Operating Activities | \$ 2,747,409 | \$ 9,837,898 | \$ 405,936 |

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 | |
| \$ 198,027 | \$ (418,904) | \$ 12,974 | \$ 7,389,723 | \$ 172,351 |
| 13,041 | 261,808 | 4,359 | 2,517,281 | 529,630 |
| (459,224) | 227,766 | | 3,368,847 | 112 |
| 24,547 | | 281 | (6,681) 203,074 | 38,820 |
| (560) | 137,628 | 9,936 | (420,037) | (70,016) |
| | | | 14,647 | |
| | | | 193 | |
| (3,756) | | 89 | (915) | (111) |
| 209,944 | | 2,403 | 1,736,812 | 332,013 |
| (210,728) | | (2,412) | (1,743,294) | (333,252) |
| | | | | (48,101) |
| (12,287) | | (61) | (73,536) | (2,810) |
| <u>\$ (240,996)</u> | <u>\$ 208,298</u> | <u>\$ 27,569</u> | <u>\$ 12,986,114</u> | <u>\$ 618,636</u> |

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015**

| | Agency Fund | Trust Funds | |
|--|-------------------|--|--------------------------------------|
| | | Fire and Police Pension Benefits Plan | Private Purpose Trust Funds |
| | Trust Holding | | |
| ASSETS | | | |
| Cash and investments | \$ 163,330 | \$ 22,539 | \$ 2,571,471 |
| Cash and investments with Fiscal Agent, Restricted | | | 1,069,948 |
| Other receivable | | | 16,600 |
| Due from other funds | | | 8,215 |
| Land held for resale | | | 4,488,678 |
| Capital assets, not being depreciated | | | 53,702 |
| Capital assets, net of accumulated depreciation | | | 1,953,771 |
| | | | |
| Total Assets | <u>\$ 163,330</u> | <u>22,539</u> | <u>10,162,385</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | | | <u>81,069</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 750 | 2,764 | 109,293 |
| Payroll payable | | 15,004 | 3,084 |
| Interest payable | | | 196,067 |
| Due to other funds | | | 8,215 |
| Deposits payable | 162,580 | | |
| Unearned revenue | | | 2,215,616 |
| Noncurrent Liabilities: | | | |
| Due within one year | | | 1,424,745 |
| Due in more than one year | | | 23,252,600 |
| | | | |
| Total Liabilities | <u>\$ 163,330</u> | <u>17,768</u> | <u>27,209,620</u> |
| Net Position (Deficit) | | | |
| Held in trust for pension benefits | | 4,771 | |
| Unrestricted | | | <u>(16,966,166)</u> |
| | | | |
| Total Net Position (Deficit) | | <u>\$ 4,771</u> | <u>\$ (16,966,166)</u> |

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, 2015**

| | Trust Funds | |
|---|--|--------------------------------------|
| | Fire and Police Pension Benefits Plan | Private Purpose Trust Funds |
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 397,446 | \$ - |
| Taxes | | 2,990,270 |
| Investment income | | 681 |
| Intergovernmental | | 66,386 |
| | <u>397,446</u> | <u>3,057,337</u> |
| Total Additions | | |
| DEDUCTIONS | | |
| Benefits | 439,425 | |
| Administration | | 226,274 |
| Depreciation | | 57,713 |
| Community development | | 358,948 |
| Public safety | | 51,908 |
| Interest expense | | 1,270,948 |
| Pass-through payments | | 12,516 |
| | <u>439,425</u> | <u>1,978,307</u> |
| Total Deductions | | |
| Change in net position | <u>(41,979)</u> | <u>1,079,030</u> |
| Net Position (Deficit) - beginning of fiscal year | 46,750 | (16,763,847) |
| Prior Period Adjustments | | <u>(1,281,349)</u> |
| Net Position (Deficit) - beginning of fiscal year, restated | <u>46,750</u> | <u>(18,045,196)</u> |
| Net Position (Deficit) - end of fiscal year | <u>\$ 4,771</u> | <u>\$ (16,966,166)</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, 2015

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 in 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 Eureka successor agency.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 administered 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, 2015

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, 2015

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, 2015

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, 2015 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, certificate of participation, or tax allocation bonds and have been invested only as permitted by specific State statues or applicable City ordinance, 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, 2015

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 assets construction, if any, is capitalized for the business-type funds as part of the asset cost. For the fiscal year ended June 30, 2015, \$451 was capitalized.

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, 2015

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, 2015

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, 2015

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, 2015

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

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" as well as the requirements of Statement No. 50, "Pension Disclosures". This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Implementation of the GASB Statement No. 68 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 1.11 – Pensions, Note 11 – Employee Retirement Systems and Pensions Plan, and Note 16 – Prior Period Adjustments.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 1.11 – Pensions, Note 11 – Employee Retirement Systems and Pensions Plan, and Note 16 – Prior Period Adjustments.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

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, 2015, the following funds reflected expenditures in excess of budgeted amounts:

| <u>Major funds</u> | <u>Amount of Excess</u> |
|------------------------------|-------------------------|
| General Fund | |
| General Government: | |
| Non-departmental | \$ (260,480) |
| Community Development | (66,681) |
| Housing Special Revenue Fund | (1,180,351) |
| <u>Non-major funds</u> | |
| Special Revenue Funds: | |
| Environmental Programs | (296) |
| Parking | (994) |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit fund equity/net position

Major fund

The Building Enterprise fund had a deficit net position balance of \$1,404,466 as of June 30, 2015. 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

The Habitat Acquisition and Restoration Special Revenue Fund had a deficit balance at June 30, 2015 of \$108,857. The deficit balance is due primarily to a 10% retainer held by the state on a grant for the Palco Marsh restoration project. The deficit balance will be substantially reversed as the State releases the retained funds.

The Demolition Projects Special Revenue Fund had a deficit balance at June 30, 2015 of \$1,202,420. The deficit is due to the City incurring costs in advance of receiving revenue.

Internal Service fund

The Risk Management Internal Service Fund had a deficit balance at June 30, 2015 of \$1,283,558. The deficit is due to the City incurring costs in advance of receiving revenue.

The Information Technology Operations Internal Service Fund had a deficit balance at June 30, 2015 of \$216,237. The deficit is due to the City recognized the Net Pension Liability.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 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 | \$ 16,288,552 | \$ 2,757,340 | \$ 19,045,892 |
| Cash and investments with fiscal agents | 7,123,183 | 1,069,948 | 8,193,131 |
| Total Cash and Investments | <u>\$ 23,411,735</u> | <u>\$ 3,827,288</u> | <u>\$ 27,239,023</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 CASH AND INVESTMENTS (Continued)

Cash and investments at June 30, 2015 consisted of the following:

| | |
|--------------------------------------|-------------------|
| Cash on hand | \$ 8,940 |
| Deposits with financial institutions | 12,144,535 |
| Investments | 15,085,548 |
| Total Cash and Investments | \$ 27,239,023 |

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.

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 |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 CASH AND INVESTMENTS (Continued)

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 |

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:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Interest Rate Risk (Continued)

| 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 | \$ 6,091,765 | \$ 6,091,765 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 800,652 | 800,652 | | | |
| Held by Bond Trustees: | | | | | |
| Money Market Funds | 8,193,131 | 8,193,131 | | | |
| Total | \$ 15,085,548 | \$ 15,085,548 | \$ - | \$ - | \$ - |

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 | \$ 6,091,765 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 6,091,765 |
| Certificates of Deposit | 800,652 | N/A | | | | | 800,652 |
| Held by Bond Trustees: | | | | | | | |
| Money Market Funds | 8,193,131 | N/A | | 8,193,131 | | | |
| Total | \$ 15,085,548 | | \$ - | \$ 8,193,131 | \$ - | \$ - | \$ 6,892,417 |

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 CASH AND INVESTMENTS (Continued)

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, 2015, 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, 2015, 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 | \$800,652 |

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.

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 | \$ 4,732,440 | \$ - | \$ 4,732,440 |
| Successor Housing Authority | 2,010,054 | | 2,010,054 |
| Nonmajor Governmental Funds | 707,084 | | 707,084 |
| Total - Governmental Funds | <u>\$ 7,449,578</u> | <u>\$ -</u> | <u>\$ 7,449,578</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015, the various components of unearned revenue are as follows:

Unearned Revenue/Deferred Inflows of Resources:

Governmental Funds:

| | |
|-----------------------------|--------------------------|
| General | \$ 424,132 |
| Successor Housing Authority | 7,894,513 |
| Housing | <u>4,198,155</u> |
| Total Unearned Revenues | <u>\$ 12,516,800</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 | \$ 887,654 | \$ - | \$ 887,654 |
| Wastewater | 1,954,365 | 45,391 | 1,999,756 |
| Harbor | 26,963 | | 26,963 |
| Building | 1,266,605 | | 1,266,605 |
| Transit | <u>1,351,919</u> | | <u>1,351,919</u> |
| Total - Enterprise Funds | <u>\$ 5,487,506</u> | <u>\$ 45,391</u> | <u>\$ 5,532,897</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, 2015:

| | |
|---|--------------------------|
| Successor Housing Authority Fund Notes Receivable | \$ 7,894,513 |
| Housing Special Revenue Fund Loans Receivable | <u>4,198,155</u> |
| Total Notes Receivable, Governmental Funds | <u>\$ 12,092,668</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, 2015

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, 2015 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 | \$ 640,518 |
| | Nonmajor Habitat Acquisition and Restoration Special Revenue Fund | 108,690 |
| | Nonmajor Capital Improvements Special Revenue Fund | 1,258 |
| | Nonmajor Demolition Projects Special Revenue Fund | 1,226,205 |
| | Major Harbor Enterprise Fund | 396,392 |
| | Major Building Enterprise Fund | 1,264,483 |
| | Major Transit Enterprise Fund | 1,099,304 |
| | Risk Management Internal Service Fund | 937,826 |
| | | <u>\$ 5,674,676</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2015 is as follows:

| | Balance at July 1, 2014 | Additions | Reductions | Transfers / Adjustments | Balance at June 30, 2015 |
|--|----------------------------|---------------------|-------------|----------------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,692,899 | \$ - | \$ - | \$ - | \$ 3,692,899 |
| Infrastructure | 23,922,864 | | | | 23,922,864 |
| Construction in progress | 2,162,387 | 1,371,906 | | (1,875,314) | 1,658,979 |
| Artwork | 236,795 | | | | 236,795 |
| Total capital assets, not being depreciated | <u>30,014,945</u> | <u>1,371,906</u> | | <u>(1,875,314)</u> | <u>29,511,537</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 19,309,551 | 11,930 | | 170,555 | 19,492,036 |
| Improvements other than buildings | 82,011,165 | 3,734,029 | | | 85,745,194 |
| Machinery and equipment | 16,423,934 | 289,082 | | 865,729 | 17,578,745 |
| Infrastructure | 7,641,267 | | | 839,030 | 8,480,297 |
| Total capital assets being depreciated | <u>125,385,917</u> | <u>4,035,041</u> | | <u>1,875,314</u> | <u>131,296,272</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (6,931,341) | (414,240) | | | (7,345,581) |
| Improvements other than buildings | (61,507,304) | (1,644,888) | | | (63,152,192) |
| Machinery and equipment | (11,860,023) | (981,894) | | | (12,841,917) |
| Infrastructure | (2,242,671) | (336,740) | | | (2,579,411) |
| Total accumulated depreciation | <u>(82,541,339)</u> | <u>(3,377,762)</u> | | | <u>(85,919,101)</u> |
| Total capital assets being depreciated, net | <u>42,844,578</u> | <u>657,279</u> | | <u>1,875,314</u> | <u>45,377,171</u> |
| Governmental activities capital assets, net | <u>\$ 72,859,523</u> | <u>\$ 2,029,185</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 74,888,708</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 539,907 |
| Public safety | 476,335 |
| Public works | 1,764,561 |
| Community development | 296,558 |
| Culture and recreation | 300,401 |
| Total depreciation expense - governmental activities | <u>\$ 3,377,762</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 CAPITAL ASSETS (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2015 is as follows:

| | Balance at July 1, 2014 | Additions | Reductions | Transfers / Adjustments | Balance at June 30, 2015 |
|---|----------------------------|---------------------|-------------|----------------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,698,800 | \$ - | \$ - | \$ - | \$ 11,698,800 |
| Construction in progress | 30,572,818 | 7,796,770 | | (2,170,693) | 36,198,895 |
| Total capital assets, not being depreciated | <u>42,271,618</u> | <u>7,796,770</u> | | <u>(2,170,693)</u> | <u>47,897,695</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 11,685,197 | | | | 11,685,197 |
| Improvements other than buildings | 35,820,795 | | | | 35,820,795 |
| Machinery and equipment | 52,700,588 | 294,438 | | | 52,995,026 |
| Infrastructure | 17,624,980 | | | 2,170,693 | 19,795,673 |
| Total capital assets being depreciated | <u>117,831,560</u> | <u>294,438</u> | | <u>2,170,693</u> | <u>120,296,691</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (5,742,153) | (238,232) | | | (5,980,385) |
| Improvements other than buildings | (20,943,795) | (571,266) | | | (21,515,061) |
| Machinery and equipment | (36,265,492) | (1,243,875) | | | (37,509,367) |
| Infrastructure | (2,851,431) | (463,908) | | | (3,315,339) |
| Total accumulated depreciation | <u>(65,802,871)</u> | <u>(2,517,281)</u> | | | <u>(68,320,152)</u> |
| Total capital assets being depreciated, net | <u>52,028,689</u> | <u>(2,222,843)</u> | | <u>2,170,693</u> | <u>51,976,539</u> |
| Business-type activities capital assets, net | <u>\$ 94,300,307</u> | <u>\$ 5,573,927</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 99,874,234</u> |

Depreciation was charged to business – type activities as follows:

Business-type Activities:

| | |
|---|---------------------|
| Water | \$ 834,562 |
| Wastewater | 1,071,531 |
| Harbor | 331,980 |
| Building | 13,041 |
| Transit | 261,808 |
| Golf | 4,359 |
| | <u>4,359</u> |
| Total depreciation expense - business-type activities | <u>\$ 2,517,281</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 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, 2015, was as follows:

| | Balance at July 1, 2014 | Prior Period Adjustments | Additions | Reductions | Balance at June 30, 2015 | Due Within One Year |
|--------------------------|----------------------------|-----------------------------|----------------------|------------------------|-----------------------------|------------------------|
| Governmental Activities: | | | | | | |
| Compensated Absences | \$ 1,525,179 | \$ - | \$ 803,616 | \$ (1,134,116) | \$ 1,194,679 | \$ 1,194,679 |
| PERS side fund | 7,374,035 | (7,374,035) | | | | |
| Net Pension Liabilities | | 45,134,360 | 12,783,831 | (19,734,707) | 38,183,484 | |
| Capital Leases | 1,140,299 | | | (293,987) | 846,312 | 309,653 |
| Total | \$ 10,039,513 | \$ 37,760,325 | \$ 13,587,447 | \$ (21,162,810) | \$ 40,224,475 | \$ 1,504,332 |

| | Balance at July 1, 2014 | Prior Period Adjustments | Additions | Reductions | Balance at June 30, 2015 | Due Within One Year |
|---|----------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|------------------------|
| Business-type Activities: | | | | | | |
| Series 2002B CSCDA Revenue Bonds | \$ 2,500,000 | \$ - | \$ - | \$ (130,000) | \$ 2,370,000 | \$ 135,000 |
| Series 2003A CSCDA Revenue Bonds | 2,775,000 | | | (135,000) | 2,640,000 | 140,000 |
| Series 2005C CSCDA Revenue Bonds | 5,575,000 | | | (365,000) | 5,210,000 | 380,000 |
| Series 2006A CSCDA Revenue Bonds | 1,450,000 | | | (55,000) | 1,395,000 | 55,000 |
| Wastewater Revenue Bonds Series 2011 | 15,745,000 | | | (280,000) | 15,465,000 | 290,000 |
| Water Revenue Bonds Series 2012 | 9,370,000 | | | | 9,370,000 | |
| CA Muni Harbor Improvements Revenue Bonds | 105,000 | | | (105,000) | | |
| Total Bonds Payable | 37,520,000 | | | (1,070,000) | 36,450,000 | 1,000,000 |
| Bond Premium | 484,792 | | | (22,049) | 462,743 | 22,049 |
| Net Pension Liabilities | | 12,123,047 | 3,202,319 | (4,945,613) | 10,379,753 | |
| Compensated Absences | 327,687 | | 213,106 | (286,642) | 254,151 | 254,151 |
| Capital Lease | 981,418 | | | (313,869) | 667,549 | 354,794 |
| Intergovernmental Loan Payable | 1,871,714 | | | (184,162) | 1,687,552 | |
| Total | \$ 41,185,611 | \$ 12,123,047 | \$ 3,415,425 | \$ (6,822,335) | \$ 49,901,748 | \$ 1,630,994 |

B. PERS Side Fund

During the 2004-05 fiscal year, the City's Police and Fire plan was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding liability at June 30, 2014 was \$7,374,035. The outstanding balance was restated during fiscal year per implementation of GASB Statements No. 68 and No. 71. See Note 16 for further details.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 LONG-TERM DEBT (Continued)

C. Capital Leases

Governmental activities

During fiscal year 2006-07, the City entered into a capital lease for major building renovations at City Hall with a maximum value of \$1,195,000. As of June 30, 2015, the balance of this lease is \$145,488.

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, 2015, the balance of this lease is \$584,946.

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, 2015, the balance of this lease is \$115,878.

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, 2015, the total balance for all capital leases related to governmental activities is \$846,312.

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, 2015, the balance of this lease is \$667,549.

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 |
|---|--------------------------------------|---------------------------------------|
| 2016 | \$ 341,508 | \$ 354,794 |
| 2017 | 189,943 | 354,795 |
| 2018 | 129,542 | |
| 2019 | 129,542 | |
| 2020 | 129,542 | |
| Minimum lease payments | 920,077 | 709,589 |
| Less amount representing interest | (73,765) | (42,040) |
| Present value of minimum lease payments | <u>\$ 846,312</u> | <u>\$ 667,549</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 was \$1,687,552. Future minimum debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ - | \$ - | \$ - |
| 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 |
| 2021-2025 | 641,576 | 229,834 | 871,410 |
| 2026-2029 | 625,249 | 71,888 | 697,137 |
| | <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, 2015 was \$2,370,000. Future debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Series 2002B CSCDA Revenue Bonds | | |
|-----------------------------------|----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 135,000 | \$ 118,237 | \$ 253,237 |
| 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 |
| 2021-2025 | 945,000 | 308,071 | 1,253,071 |
| 2026-2028 | 690,000 | 55,387 | 745,387 |
| Totals | <u>\$ 2,370,000</u> | <u>\$ 882,747</u> | <u>\$ 3,252,747</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 was \$2,640,000. Future debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Series 2003A CSCDA Revenue Bonds | | |
|-----------------------------------|----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 140,000 | \$ 121,018 | \$ 261,018 |
| 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 |
| 2021-2025 | 950,000 | 348,465 | 1,298,465 |
| 2026-2029 | 940,000 | 91,677 | 1,031,677 |
| Totals | <u>\$ 2,640,000</u> | <u>\$ 990,058</u> | <u>\$ 3,630,058</u> |

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, 2015 was \$5,210,000. Future debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Series 2005C CSCDA Revenue Bonds | | |
|-----------------------------------|----------------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 380,000 | \$ 235,323 | \$ 615,323 |
| 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 |
| 2021-2025 | 2,570,000 | 481,250 | 3,051,250 |
| 2026 | 590,000 | 14,750 | 604,750 |
| Totals | <u>\$ 5,210,000</u> | <u>\$ 1,514,412</u> | <u>\$ 6,724,412</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 was \$1,395,000. Future debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Series 2006A CSCDA Revenue Bonds | | |
|--------------------------------|----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 55,000 | \$ 61,860 | \$ 116,860 |
| 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 |
| 2021-2025 | 385,000 | 211,896 | 596,896 |
| 2026-2030 | 480,000 | 107,327 | 587,327 |
| 2031-2032 | 225,000 | 10,239 | 235,239 |
| Totals | <u>\$ 1,395,000</u> | <u>\$ 615,117</u> | <u>\$ 2,010,117</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, 2015 was \$15,465,000.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 |
| 2016 | \$ 290,000 | \$ 747,856 | \$ 1,037,856 |
| 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 |
| 2021-2025 | 2,000,000 | 3,182,410 | 5,182,410 |
| 2026-2030 | 2,555,000 | 2,623,874 | 5,178,874 |
| 2031-2035 | 3,230,000 | 1,943,444 | 5,173,444 |
| 2036-2040 | 4,145,000 | 1,031,375 | 5,176,375 |
| 2041-2042 | 1,970,000 | 99,750 | 2,069,750 |
| Totals | <u>\$ 15,465,000</u> | <u>\$12,489,622</u> | <u>\$ 27,954,622</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, 2015 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 |
| 2016 | \$ - | \$ 424,800 | \$ 424,800 |
| 2017 | | 424,800 | 424,800 |
| 2018 | | 424,800 | 424,800 |
| 2019 | | 424,800 | 424,800 |
| 2020 | | 424,800 | 424,800 |
| 2021-2025 | | 2,124,000 | 2,124,000 |
| 2026-2030 | 755,000 | 2,090,075 | 2,845,075 |
| 2031-2035 | 2,595,000 | 1,685,250 | 4,280,250 |
| 2036-2040 | 3,510,000 | 981,125 | 4,491,125 |
| 2041-2043 | 2,510,000 | 174,100 | 2,684,100 |
| Totals | <u>\$ 9,370,000</u> | <u>\$ 9,178,550</u> | <u>\$ 18,548,550</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 LONG-TERM DEBT (Continued)

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2015 are as follows:

| Fiscal Year Ending June 30, | Business-type | | | Total |
|--------------------------------------|---------------------|--------------------------------|---------------------------|----------------------|
| | CSCDA Bonds | Wastewater Revenue Bonds | Water Revenue Bonds | |
| 2016 | \$ 710,000 | \$ 290,000 | \$ - | \$ 1,000,000 |
| 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 |
| 2021-2025 | 4,850,000 | 2,000,000 | | 6,850,000 |
| 2026-2030 | 2,700,000 | 2,555,000 | 755,000 | 6,010,000 |
| 2031-2035 | 225,000 | 3,230,000 | 2,595,000 | 6,050,000 |
| 2036-2040 | | 4,145,000 | 3,510,000 | 7,655,000 |
| 2041-2043 | | 1,970,000 | 2,510,000 | 4,480,000 |
| | <u>\$11,615,000</u> | <u>\$ 15,465,000</u> | <u>\$ 9,370,000</u> | <u>\$ 36,450,000</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, 2015:

| | |
|----------------------------------|---------------------|
| Governmental Funds | \$ 1,147,419 |
| Internal Service Funds | <u>47,260</u> |
| Subtotal Governmental Activities | 1,194,679 |
| Business-type Funds | <u>254,151</u> |
| Total | <u>\$ 1,448,830</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 2014-15, 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, 2015

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, 2015:

| | |
|--------------------------|---------------|
| Total Assets | \$ 18,342,019 |
| Total Deferred Outflows | 259,592 |
| Total Liabilities | 20,949,852 |
| Total Deferred Inflows | 338,476 |
| Total Net Position | (2,686,717) |
| Total Revenues | 8,748,360 |
| Total Expenses | 12,424,822 |
| Decrease in Net Position | (3,676,462) |

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, 2015

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, 2015 and June 30, 2014:

| | General Liability Insurance | Worker's Compensation Insurance | Total |
|--|-----------------------------------|---------------------------------------|--------------|
| Accrued claims payable, June 30, 2013 | \$ (103,559) | \$ (122,777) | \$ (226,336) |
| Provision for insured events payments | 714,493 | 604,113 | 1,318,606 |
| Payments made to public entity risk pool | (688,628) | (455,924) | (1,144,552) |
| Direct payments made by the City | (11,922) | (174,054) | (185,976) |
| 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) |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015, LERS membership consisted of 13 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, 2015

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 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 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 2014-15 fiscal year was as follows:

| | |
|--|-----------------------|
| Annual required contribution | \$ 15,305 |
| Interest on net pension obligation (asset) | (101,028) |
| Adjustments to annual required contribution | 173,369 |
| Annual pension cost | <u>87,646</u> |
| Contribution made | <u>(397,446)</u> |
| Increase (decrease) in net pension obligation (asset) | (309,800) |
| Net pension obligation (asset), beginning of fiscal year | <u>(1,683,798)</u> |
| Net pension obligation (asset), end of fiscal year | <u>\$ (1,993,598)</u> |

The annual required contribution for the fiscal year 2014-15 was determined as part of the June 30, 2015, 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 thirty years, with such thirty 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, 2015

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, 2014. 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, 2015 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) |
|----------------------------------|---------------------------------|-------------------------------------|--|
| 2013 | \$ (11,512) | 100% | \$(1,268,805) |
| 2014 | 12,186 | 100% | (1,683,798) |
| 2015 | 87,646 | 100% | (1,993,598) |

Funded Status — Most Recent Actuarial Valuation

According to the Plan's June 30, 2015 actuarial valuation, total actuarial assets of \$4,771 represented 0.14% of the total actuarial accrued liabilities of \$3,345,646 as of June 30, 2015. Additionally, total unfunded actuarial liabilities were \$3,340,875 at June 30, 2015 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, 2015

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, 2015, 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 | 24.450% | 24.450% | 20.112% |

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

| | <u>Miscellaneous</u> |
|--|----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 247 |
| Inactive employees entitled to but not yet receiving benefits | 181 |
| Active employees | 168 |
| Total | <u>596</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| | <u>Miscellaneous</u> |
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Payrol Growth | 3.00% |
| Projected Salary Increase | 3.30%-14.20% (1) |
| Investment Rate of Return | 7.50% (2) |
| Mortality | Derived using CalPERS' Membership Data for all Funds |

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

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

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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

| <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 | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 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:

| | <u>Increase (Decrease)</u> | | |
|---|--------------------------------|------------------------------------|--------------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability (Asset)</u> |
| Balance at June 30, 2014 | \$ 85,297,686 | \$ 55,021,094 | \$ 30,276,592 |
| <u>Changes during the fiscal year:</u> | | | |
| Service Cost | 1,692,491 | | 1,692,491 |
| Interest on the Total Pension Liability | 6,305,116 | | 6,305,116 |
| Contributions from the Employer | | 2,166,174 | (2,166,174) |
| Contributions from the Employees | | 698,583 | (698,583) |
| Net investment income | | 9,486,624 | (9,486,624) |
| Benefit Payments | (4,151,414) | (4,151,414) | |
| Net Changes | <u>3,846,193</u> | <u>8,199,967</u> | <u>(4,353,774)</u> |
| Balance at June 30, 2015 | <u>\$ 89,143,879</u> | <u>\$ 63,221,061</u> | <u>\$ 25,922,818</u> |

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:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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)

| | <u>Miscellaneous</u> |
|-----------------------|----------------------|
| 1% Decrease | 6.50% |
| Net Pension Liability | \$ 36,850,123 |
| Current Discount Rate | 7.50% |
| Net Pension Liability | \$ 25,922,818 |
| 1% Increase | 8.50% |
| Net Pension Liability | \$ 16,792,983 |

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, 2015, the City recognized pension expense of \$2,149,985. At June 30, 2015, 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 | \$ 1,659,010 | \$ - |
| Net differences between projected and actual earnings on plan investments | - | (4,337,585) |
| Total | <u>\$ 1,659,010</u> | <u>\$ (4,337,585)</u> |

\$1,659,010 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, 2016. 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> | |
|--------------------------------------|----------------|
| 2016 | \$ (1,084,396) |
| 2017 | (1,084,396) |
| 2018 | (1,084,396) |
| 2019 | (1,084,397) |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 (fire and 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, 2015, are summarized as follows:

| | City Safety Plan - Fire | | |
|---|--------------------------|-----------------------------|-----------------------------|
| | Tier I | Tier II | PEPRA |
| | Prior to January 1, 2008 | On or after January 1, 2008 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3.0% @ 50 | 2.0% @ 50 | 2.7% @ 57 |
| 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 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3% | 2.0% to 2.7% | 2.0% to 2.7% |
| Required employee contribution rates | 9.00% | 9.00% | 11.923% |
| Required employer contribution rates | 45.308% | 21.463% | 11.923% |

| | 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 | 42.014% | 11.923% |

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing 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.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

| | |
|---|-------------|
| Contributions – employer (Safety Plan - Fire) | \$ 773,963 |
| Contributions – employer (Safety Plan - Police) | \$1,030,370 |

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 \$22,640,419 (\$9,988,593 - Fire and \$12,651,826 - Police).

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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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 Safety Plan as of June 30, 2013 were as follows:

| | <u>Safety-Fire</u> | <u>Safety-Police</u> |
|------------------------------|--------------------|----------------------|
| Proportion - June 30, 2013 | 0.24742% | 0.31652% |
| Proportion - June 30, 2014 | <u>0.26629%</u> | <u>0.33729%</u> |
| Change - Increase (Decrease) | <u>0.01887%</u> | <u>0.02077%</u> |

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$2,104,452 (\$941,765 - Fire and \$1,162,687 - Police). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | | (4,391,602) |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 8,424 | (257,338) |
| City contributions subsequent to the measurement date | 2,251,921 | |
| | \$ 2,260,345 | \$ (4,648,940) |

\$2,251,921 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30 | |
|------------------------------|----------------|
| 2016 | \$ (1,160,129) |
| 2017 | (1,160,129) |
| 2018 | (1,160,129) |
| 2019 | (1,160,129) |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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)

| | |
|---------------------------|--|
| | <u>Safety - Fire and Police</u> |
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| | Entry-Age Normal Cost |
| Actuarial Cost Method | Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | 3.30%-14.20% (1) |
| Investment Rate of Return | 7.50% (2) |
| Mortality | |
| | Derived using CalPERS' Membership Data for all Funds |

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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)

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

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

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

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

| Asset Class | Safety - Fire and Police | | |
|-------------------------------|--------------------------|----------------------------|--------------------------|
| | New Strategic Allocation | Real Return Year 1 - 10(a) | Real Return Years 11+(b) |
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 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.

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015**

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)

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 - Fire</u> | <u>Safety - Police</u> |
|-----------------------|----------------------|------------------------|
| 1% Decrease | 6.50% | 6.50% |
| Net Pension Liability | \$ 14,988,360 | \$ 19,221,454 |
| Current Discount Rate | 7.50% | 7.50% |
| Net Pension Liability | \$ 9,988,593 | \$ 12,651,826 |
| 1% Increase | 8.50% | 8.50% |
| Net Pension Liability | \$ 5,869,003 | \$ 7,238,736 |

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

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

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 \$13,942,820 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 below.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 NET POSITION AND FUND BALANCES (Continued)

b. Fund Balances

| Fund Balances | General | Successor Housing Authority | Housing | Nonmajor Governmental Funds | Total |
|------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|
| <u>Nonspendable:</u> | | | | | |
| Prepaid expenditures | \$ 40,837 | \$ - | \$ - | \$ - | \$ 40,837 |
| Total Nonspendable | 40,837 | | | | 40,837 |
| <u>Restricted for:</u> | | | | | |
| Housing | | 1,179,592 | 1,454,390 | | 2,633,982 |
| Landscaping & lighting | | | | | |
| Law enforcement | | | | 820,142 | 820,142 |
| Public health | | | | 159,510 | 159,510 |
| Road improvements | | | | 422,871 | 422,871 |
| Airport | | | | 44,876 | 44,876 |
| Total Restricted | | 1,179,592 | 1,454,390 | 1,447,399 | 4,081,381 |
| Unassigned: | 2,036,084 | | | (1,311,277) | 724,807 |
| Total Fund Balances | <u>\$ 2,076,921</u> | <u>\$ 1,179,592</u> | <u>\$ 1,454,390</u> | <u>\$ 136,122</u> | <u>\$ 4,847,025</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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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.

Capital Asset activity for the fiscal year ended June 30, 2015 was as follows:

Private Purpose Trust

| | Balance at July 1, 2014 | Additions | Reductions | Balance at June 30, 2015 |
|--|----------------------------|--------------------|-------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 53,702 | \$ - | \$ (53,702) | \$ - |
| Artwork | | | 53,702 | 53,702 |
| Total capital assets, not being depreciated | <u>53,702</u> | | | <u>53,702</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,945,282 | | | 1,945,282 |
| Machinery and equipment | 181,628 | | | 181,628 |
| Total capital assets being depreciated | <u>2,126,910</u> | | | <u>2,126,910</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (97,264) | (48,632) | | (145,896) |
| Machinery and equipment | (18,162) | (9,081) | | (27,243) |
| Total accumulated depreciation | <u>(115,426)</u> | <u>(57,713)</u> | | <u>(173,139)</u> |
| Total capital assets being depreciated, net | <u>2,011,484</u> | <u>(57,713)</u> | | <u>1,953,771</u> |
| Capital assets, net | <u>\$ 2,065,186</u> | <u>\$ (57,713)</u> | <u>\$ -</u> | <u>\$ 2,007,473</u> |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2015:

| | Balance at July 1, 2014 | Additions | Reductions | Balance at June 30, 2015 | Due Within One Year |
|-------------------------------------|----------------------------|-------------|-----------------------|-----------------------------|------------------------|
| Revenue Bonds Payable | | | | | |
| 2003 Tax Allocation Revenue Bonds | \$ 13,210,000 | \$ - | \$ (1,085,000) | \$ 12,125,000 | \$ 1,125,000 |
| 2010 Lease Revenue Bonds Series A | 4,725,000 | | (125,000) | 4,600,000 | 135,000 |
| 2010 Lease Revenue Bonds Series B | 4,145,000 | | (50,000) | 4,095,000 | 50,000 |
| Total Bonds Payable | 22,080,000 | | (1,260,000) | 20,820,000 | 1,310,000 |
| Bond Discount | (106,644) | | 4,144 | (102,500) | (4,144) |
| Advance payable to City | 2,776,181 | | (168,646) | 2,607,535 | |
| California Infrastructure Bank Loan | 1,467,927 | | (115,617) | 1,352,310 | 118,889 |
| Total | \$ 26,217,464 | \$ - | \$ (1,540,119) | \$ 24,677,345 | \$ 1,424,745 |

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, 2015 was \$12,125,000.

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 |
|-----------------------------------|----------------------|---------------------|----------------------|
| 2016 | \$ 1,125,000 | \$ 528,031 | \$ 1,653,031 |
| 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 |
| 2021-2024 | 5,985,000 | 585,851 | 6,570,851 |
| | \$ 12,125,000 | \$ 2,705,157 | \$ 14,830,157 |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

Revenue Bonds (Continued)

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, 2015 was \$4,600,000.

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, 2015 was \$4,095,000.

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 |
| 2016 | \$ 135,000 | \$ 347,162 | \$ 50,000 | \$ 232,974 | \$ 185,000 | \$ 580,136 |
| 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 |
| 2021-2025 | 1,060,000 | 1,316,913 | 345,000 | 1,067,239 | 1,405,000 | 2,384,152 |
| 2026-2030 | 1,535,000 | 824,738 | 450,000 | 956,837 | 1,985,000 | 1,781,575 |
| 2031-2035 | 1,250,000 | 155,200 | 1,610,000 | 746,351 | 2,860,000 | 901,551 |
| 2036-2038 | | | 1,420,000 | 84,600 | 1,420,000 | 84,600 |
| Totals | \$ 4,600,000 | \$ 3,934,513 | \$ 4,095,000 | \$ 3,997,803 | \$ 8,695,000 | \$ 7,932,316 |

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

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, 2015 was \$1,352,310.

The following is the debt service schedule:

| Fiscal Fiscal Year Ending June 30, | Principal | Interest | Total |
|--|---------------------|-------------------|---------------------|
| 2016 | \$ 118,889 | \$ 36,588 | \$ 155,477 |
| 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 |
| 2021-2025 | 723,252 | 52,314 | 775,566 |
| | <u>\$ 1,352,310</u> | <u>\$ 200,153</u> | <u>\$ 1,552,463</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, 2015 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, 2015 was \$146,111.

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, 2015 was \$1,805,323.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements include adjustments that resulted in the restatements of beginning net position and fund balances all due to the implementation of GASB Nos. 68 and 71. The following summarizes the effect of the prior period adjustments to beginning net position and fund balances as of July 1, 2014:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Reason for adjustments | | |
| PERS side fund | \$ 7,374,035 | \$ - |
| Net pension liabilities | (45,134,360) | (12,123,047) |
| Deferred outflow of resources - City's contribution subsequent of the measurement (Overstatement) of receivables | 3,103,149 (85,712) | 867,358 |
| Understatement of receivables | | 140,050 |
| | \$ (34,742,888) | \$ (11,115,639) |

| | Proprietary Funds | | | | |
|---|-----------------------------|----------------------------------|------------------------------|--------------------------------|----------------------------|
| | Water Enterprise Fund | Wastewater Enterprise Fund | Harbor Enterprise Fund | Building Enterprise Fund | Golf Enterprise Fund |
| Reason for adjustments | | | | | |
| Net pension liabilities | \$ (4,014,845) | \$ (5,767,866) | \$ (858,142) | \$ (1,465,422) | \$ (16,772) |
| Deferred outflow of resources - City's contribution subsequent of the measurement | 287,247 | 412,669 | 61,397 | 104,845 | 1,200 |
| Understatement of receivables | 1,309 | 138,741 | | | |
| | \$ (3,726,289) | \$ (5,216,456) | \$ (796,745) | \$ (1,360,577) | \$ (15,572) |

| | Governmental Funds Nonmajor Funds | Proprietary Funds | |
|--|---|---|---|
| | Gas Tax/State Highway Special Revenue Fund | Equipment Operations Internal Service Fund | Information Technology Operations Internal Service Fund |
| Reason for adjustments | | | |
| Net pension liabilities | \$ - | \$ (1,504,020) | \$ (813,448) |
| Deferred outflow of resources - City's contribution subsequent of the measurement (Overstatement) of receivables | (85,712) | 107,607 | 58,199 |
| | \$ (85,712) | \$ (1,396,413) | \$ (755,249) |

| | Private-Purpose Trust Fund Successor Agency Debt Service Fund |
|--------------------------------|---|
| Reason for adjustments | |
| Understatement of payables | \$ (140,050) |
| (Overstatement) of receivables | (1,141,299) |
| | \$ (1,281,349) |

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, 2015**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 20,526,700 | \$ 20,526,700 | \$ 20,548,084 | \$ 21,384 |
| Licenses, permits, and fees | 943,200 | 943,200 | 962,919 | 19,719 |
| Fines and penalties | 234,200 | 234,200 | 338,851 | 104,651 |
| Investment income | 22,000 | 22,000 | 10,025 | (11,975) |
| Intergovernmental | 2,450,929 | 2,450,929 | 2,494,320 | 43,391 |
| Charges for services | 4,335,058 | 4,335,058 | 4,344,817 | 9,759 |
| Other revenues | 164,310 | 164,310 | 217,892 | 53,582 |
| Total Revenues | 28,676,397 | 28,676,397 | 28,916,908 | 240,511 |
| Expenditures: | | | | |
| General government- | | | | |
| Council | 127,187 | 127,187 | 123,714 | 3,473 |
| Mayor | 30,811 | 30,811 | 26,599 | 4,212 |
| City Manager | 294,407 | 294,407 | 280,942 | 13,465 |
| City Clerk | 320,546 | 320,546 | 255,149 | 65,397 |
| Human Resources | 491,747 | 491,747 | 446,236 | 45,511 |
| Finance | 641,676 | 641,676 | 635,922 | 5,754 |
| City Attorney | 464,570 | 464,570 | 453,946 | 10,624 |
| Non-departmental | 1,201,510 | 1,201,510 | 1,461,990 | (260,480) |
| Public safety- | | | | |
| Police | 11,790,922 | 11,790,922 | 11,381,952 | 408,970 |
| Fire | 7,390,461 | 7,390,461 | 7,186,192 | 204,269 |
| Public works- | | | | |
| Engineering | 666,883 | 666,883 | 618,501 | 48,382 |
| Maintenance | 1,481,590 | 1,481,590 | 1,408,122 | 73,468 |
| Community development | 703,411 | 703,411 | 770,092 | (66,681) |
| Culture and recreation | 3,237,676 | 3,237,676 | 3,073,410 | 164,266 |
| Capital outlay | 806,667 | 790,579 | 497,305 | 293,274 |
| Debt service - | | | | |
| Principal payments | 242,502 | 242,502 | 242,502 | |
| Interest and fiscal charges | 38,605 | 38,605 | 38,604 | 1 |
| Total Expenditures | 29,931,171 | 29,915,083 | 28,901,178 | 1,013,905 |
| Excess of revenues over (under) expenditures | (1,254,774) | (1,238,686) | 15,730 | 1,254,416 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 4,525,523 | 4,525,523 | 3,527,700 | (997,823) |
| Transfers out | (3,605,523) | (3,605,523) | (3,527,700) | 77,823 |
| Total Other Financing Sources (Uses) | 920,000 | 920,000 | | (920,000) |
| Net changes in fund balance | (334,774) | (318,686) | 15,730 | 334,416 |
| Fund Balance, beginning of fiscal year | 2,061,191 | 2,061,191 | 2,061,191 | |
| Fund Balance, end of fiscal year | \$ 1,726,417 | \$ 1,742,505 | \$ 2,076,921 | \$ 334,416 |

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, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenues | \$ - | \$ - | \$ 41,166 | \$ 41,166 |
| Total Revenues | | | 41,166 | 41,166 |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 240,861 | 240,861 | 145,921 | 94,940 |
| Total Expenditures | 240,861 | 240,861 | 145,921 | 94,940 |
| Excess of Revenues Over (Under) Expenditures | (240,861) | (240,861) | (104,755) | 136,106 |
| Fund Balance, beginning of fiscal year | 1,284,347 | 1,284,347 | 1,284,347 | |
| Fund Balance, end of fiscal year | <u>\$ 1,043,486</u> | <u>\$ 1,043,486</u> | <u>\$ 1,179,592</u> | <u>\$ 136,106</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, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 1,616,336 | \$ 1,616,336 | \$ 2,486,157 | \$ 869,821 |
| Other revenues | 105,000 | 105,000 | 119,961 | 14,961 |
| Total Revenues | <u>1,721,336</u> | <u>1,721,336</u> | <u>2,606,118</u> | <u>884,782</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | <u>1,999,690</u> | <u>1,999,690</u> | <u>3,180,041</u> | <u>(1,180,351)</u> |
| Total Expenditures | <u>1,999,690</u> | <u>1,999,690</u> | <u>3,180,041</u> | <u>(1,180,351)</u> |
| Excess of Revenues Over (Under) Expenditures | (278,354) | (278,354) | (573,923) | (295,569) |
| Fund Balance, beginning of fiscal year | <u>2,028,313</u> | <u>2,028,313</u> | <u>2,028,313</u> | |
| Fund Balance, end of fiscal year | <u>\$ 1,749,959</u> | <u>\$ 1,749,959</u> | <u>\$ 1,454,390</u> | <u>\$ (295,569)</u> |

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

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 |

* Actuarial review and update based on the June 30, 2015 actuarial valuation date.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

**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 | 15,305 | 100% |

Information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---|
| Valuation date | July 1, 2015 (June 30, 2015) |
| 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 | 6.0% |
| Projected salary increases | 4.0% |

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

**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 2015 |
|--|------------------------------------|
| | <u>2013-14¹</u> |
| Measurement Period | |
| Total Pension Liability | |
| Service Cost | \$ 1,692,491 |
| Interest on the Total Pension Liability | 6,305,116 |
| Benefit Payments, including Refunds of Employee Contributions | (4,151,414) |
| Net Change in Total Pension Liability | <u>3,846,193</u> |
| Total Pension Liability - Beginning | <u>85,297,686</u> |
| Total Pension Liability - Ending (a) | <u>\$ 89,143,879</u> |
| | |
| Plan Fiduciary Net Position | |
| Contributions from the Employer | \$ 2,166,174 |
| Contributions from the Employees | 698,583 |
| Net investment income ² | 9,486,624 |
| Benefit Payments | (4,151,414) |
| Net Change in Plan Fiduciary Net Position | <u>8,199,967</u> |
| Plan Fiduciary Net Position - Beginning | <u>55,021,094</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 63,221,061</u> |
| | |
| Net Pension Liability - Ending (a)-(b) | <u>\$ 25,922,818</u> |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.92% |
| | |
| Covered Employee Payroll | \$ 8,774,837 |
| | |
| Net Pension Liability as Percentage of Covered Employee Payroll | 295.42% |

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

² Net of administrative expenses.

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, 2013. 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: There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

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

Schedule of Contributions¹

| | Miscellaneous Plan |
|---|---------------------------|
| | Fiscal Year 2014-15 |
| Actuarially Determined Contribution ² | \$ 1,659,010 |
| Contributions in Relation to the Actuarially Determined Contribution ² | (1,659,010) |
| Contribution Deficiency (Excess) | \$ - |
| Covered Employee Payroll ^{3,4} | \$ 9,038,082 |
| Contributions as a Percentage of Covered Employee Payroll ³ | 18.36% |

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.

⁴ Payroll from prior year \$8,774,837 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For detail, see June 30, 2011 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 one year is shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

**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-Fire</u> 2015 ¹ | <u>Safety Plan-Police</u> 2015 ¹ |
|---|--|--|
| Plan's proportion of the Net Pension Liability (Asset) | 0.16052% | 0.20332% |
| Plan's proportionate share of the Net Pension Liability (Asset) | \$ 9,988,593 | \$ 12,651,826 |
| Covered employee payroll ² | \$ 2,779,206 | 3,664,127 |
| Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll | 359.40% | 345.29% |
| Plan's fiduciary net position | \$ 5,315,495 | \$ 7,024,877 |
| Plan's proportionate share of the Fiduciary Net Pension Liability (Asset) as a percentage of the Plan's Total Pension Liability | 53.22% | 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 one year is shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

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

Schedule of Contributions¹

| | Safety Plan - Fire | Safety Plan - Police |
|---|----------------------------|-----------------------------|
| | Fiscal Year 2014-15 | Fiscal Year 2014-15 |
| Actuarially Determined Contribution ² | \$ 556,123 | \$ 1,695,798 |
| Contributions in Relation to the Actuarially Determined Contribution ² | (556,123) | (1,695,798) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered Employee Payroll ^{3,4} | \$ 2,862,582 | \$ 3,774,051 |
| Contributions as a Percentage of Covered Employee Payroll ³ | 19.43% | 44.93% |

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.

⁴ Payroll from prior year (\$6,443,333) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For detail, see June 30, 2011 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 one year is 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, 2015

| | Special Revenue Funds | | | | |
|--|------------------------------|--|---------------------------|-------------------|------------------|
| | Gas Tax/ State Highway | Habitat Acquisition and Restoration | Environmental Programs | Special Police | Parking |
| Assets | | | | | |
| Cash and investments | \$ 190,705 | \$ - | \$ 144,766 | \$ 417,832 | \$ 17,258 |
| Accounts receivable | 492,849 | | 19,714 | 115,253 | |
| Total Assets | \$ 683,554 | \$ - | \$ 164,480 | \$ 533,085 | \$ 17,258 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 256,695 | \$ 167 | \$ 4,970 | \$ 7,947 | \$ 6,361 |
| Due to other funds | | 108,690 | | | |
| Payroll and related liabilities | 8,542 | | | 2,785 | 2,618 |
| Total Liabilities | 265,237 | 108,857 | 4,970 | 10,732 | 8,979 |
| Fund Balances: | | | | | |
| Restricted | 418,317 | | 159,510 | 522,353 | 8,279 |
| Unassigned | | (108,857) | | | |
| Total Fund Balances (Deficits) | 418,317 | (108,857) | 159,510 | 522,353 | 8,279 |
| Total Liabilities and Fund Balances | \$ 683,554 | \$ - | \$ 164,480 | \$ 533,085 | \$ 17,258 |

Special Revenue Funds

| Capital Improvements | Demolition Projects | Airport | Special Fire | Total Nonmajor Governmental Funds |
|-------------------------|------------------------|------------------|-------------------|--|
| \$ - | \$ - | \$ 55,098 | \$ 293,081 | \$ 1,118,740 |
| 5,812 | 70,056 | 3,400 | | 707,084 |
| <u>5,812</u> | <u>70,056</u> | <u>58,498</u> | <u>293,081</u> | <u>1,825,824</u> |
| \$ - | \$ 46,271 | \$ 13,501 | \$ 3,571 | \$ 339,483 |
| 1,258 | 1,226,205 | 121 | | 1,336,153 |
| <u>1,258</u> | <u>1,272,476</u> | <u>13,622</u> | <u>3,571</u> | <u>1,689,702</u> |
| 4,554 | | 44,876 | 289,510 | 1,447,399 |
| | (1,202,420) | | | (1,311,277) |
| <u>4,554</u> | <u>(1,202,420)</u> | <u>44,876</u> | <u>289,510</u> | <u>136,122</u> |
| <u>\$ 5,812</u> | <u>\$ 70,056</u> | <u>\$ 58,498</u> | <u>\$ 293,081</u> | <u>\$ 1,825,824</u> |

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Special Revenue Funds | | | | |
|--|------------------------------|--|---------------------------|-------------------|-----------------|
| | Gas Tax/ State Highway | Habitat Acquisition and Restoration | Environmental Programs | Special Police | Parking |
| REVENUES | | | | | |
| Licenses, permits, and fees | \$ - | \$ - | \$ - | \$ - | \$ 54,839 |
| Fines and penalties | | | | 91,031 | 91,101 |
| Intergovernmental | 2,539,387 | 190,651 | 163,953 | 421,888 | |
| Charges for services | | | | 28,675 | |
| Other revenues | 79 | | | 904 | |
| Total Revenues | <u>2,539,466</u> | <u>190,651</u> | <u>163,953</u> | <u>542,498</u> | <u>145,940</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | | | | 75,168 | 91,287 |
| Public works | 708,481 | 128,404 | 74,178 | | 54,365 |
| Capital outlay | 1,787,234 | | | 375,063 | 13,784 |
| Total Expenditures | <u>2,495,715</u> | <u>128,404</u> | <u>74,178</u> | <u>450,231</u> | <u>159,436</u> |
| Excess of Revenues Over (Under) Expenditures | <u>43,751</u> | <u>62,247</u> | <u>89,775</u> | <u>92,267</u> | <u>(13,496)</u> |
| Fund Balances (Deficits), beginning of fiscal year | 460,278 | (171,104) | 69,735 | 430,086 | 21,775 |
| Prior Period Adjustments | (85,712) | | | | |
| Fund Balances (Deficits), beginning of fiscal year, restated | <u>374,566</u> | <u>(171,104)</u> | <u>69,735</u> | <u>430,086</u> | <u>21,775</u> |
| Fund Balances (Deficits), end of fiscal year | <u>\$ 418,317</u> | <u>\$ (108,857)</u> | <u>\$ 159,510</u> | <u>\$ 522,353</u> | <u>\$ 8,279</u> |

Special Revenue Funds

| Capital Improvements | Demolition Projects | Airport | Special Fire | Total Nonmajor Governmental Funds |
|-------------------------|------------------------|------------------|-------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 54,839 |
| | | 10,000 | | 182,132 |
| | | | 55,149 | 3,325,879 |
| | 49,724 | 10,050 | | 83,824 |
| | 49,724 | 20,050 | 55,149 | 60,757 |
| | | | | 3,707,431 |
| | | | 47,888 | 214,343 |
| | 271,943 | 38,247 | | 1,275,618 |
| | | | | 2,176,081 |
| | 271,943 | 38,247 | 47,888 | 3,666,042 |
| | (222,219) | (18,197) | 7,261 | 41,389 |
| 4,554 | (980,201) | 63,073 | 282,249 | 180,445 |
| 4,554 | (980,201) | 63,073 | 282,249 | (85,712) |
| 4,554 | (980,201) | 63,073 | 282,249 | 94,733 |
| <u>\$ 4,554</u> | <u>\$ (1,202,420)</u> | <u>\$ 44,876</u> | <u>\$ 289,510</u> | <u>\$ 136,122</u> |

**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, 2015**

| | 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 | 2,582,929 | 2,539,387 | (43,542) | 256,000 | 190,651 | (65,349) |
| Charges for services | | | | | | |
| Other revenues | | 79 | 79 | | | |
| Total Revenues | 2,582,929 | 2,539,466 | (43,463) | 256,000 | 190,651 | (65,349) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | | | | | | |
| Public works | 753,727 | 708,481 | 45,246 | 259,309 | 128,404 | 130,905 |
| Community development | | | | | | |
| Capital outlay | 2,526,727 | 1,787,234 | 739,493 | | | |
| Total Expenditures | 3,280,454 | 2,495,715 | 784,739 | 259,309 | 128,404 | 130,905 |
| Excess of Revenues Over (Under) | | | | | | |
| Expenditures | (697,525) | 43,751 | 741,276 | (3,309) | 62,247 | 65,556 |
| Fund Balances (Deficits), beginning of fiscal year | 460,278 | 460,278 | | (171,104) | (171,104) | |
| Prior Period Adjustments | | (85,712) | (85,712) | | | |
| Fund Balances (Deficits), beginning of fiscal year, restated | 460,278 | 374,566 | (85,712) | (171,104) | (171,104) | |
| Fund Balances (Deficits), end of fiscal year | <u>\$ (237,247)</u> | <u>\$ 418,317</u> | <u>\$ 655,564</u> | <u>\$ (174,413)</u> | <u>\$ (108,857)</u> | <u>\$ 65,556</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 | \$ 54,839 | \$ (11,291) |
| 50 | | (50) | 50,000 | 91,031 | 41,031 | 108,000 | 91,101 | (16,899) |
| 95,000 | 163,953 | 68,953 | 300 | 421,888 | (300) | 870 | | (870) |
| | | | 286,245 | 28,675 | 135,643 | | | |
| | | | 52,000 | 904 | (23,325) | | | |
| | | | | 904 | 904 | | | |
| 95,050 | 163,953 | 68,903 | 388,545 | 542,498 | 153,953 | 175,000 | 145,940 | (29,060) |
| | | | | | | | | |
| | | | 246,282 | 75,168 | 171,114 | 91,953 | 91,287 | 666 |
| 73,882 | 74,178 | (296) | | | | 51,489 | 54,365 | (2,876) |
| | | | 759,520 | 375,063 | 384,457 | 15,000 | 13,784 | 1,216 |
| 73,882 | 74,178 | (296) | 1,005,802 | 450,231 | 555,571 | 158,442 | 159,436 | (994) |
| | | | | | | | | |
| 21,168 | 89,775 | 68,607 | (617,257) | 92,267 | 709,524 | 16,558 | (13,496) | (30,054) |
| 69,735 | 69,735 | | 430,086 | 430,086 | | 21,775 | 21,775 | |
| | | | | | | | | |
| 69,735 | 69,735 | | 430,086 | 430,086 | | 21,775 | 21,775 | |
| \$ 90,903 | \$ 159,510 | \$ 68,607 | \$ (187,171) | \$ 522,353 | \$ 709,524 | \$ 38,333 | \$ 8,279 | \$ (30,054) |

(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, 2015
(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 | | | | 325,000 | 49,724 | (275,276) |
| Total Revenues | | | | <u>325,000</u> | <u>49,724</u> | <u>(275,276)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | | | | | | |
| Public works | | | | 358,952 | 271,943 | 87,009 |
| Capital outlay | | | | | | |
| Total Expenditures | | | | <u>358,952</u> | <u>271,943</u> | <u>87,009</u> |
| Excess of Revenues Over (Under) | | | | | | |
| Expenditures | | | | (33,952) | (222,219) | (188,267) |
| Fund Balances (Deficits), beginning of fiscal year | 4,554 | 4,554 | | (980,201) | (980,201) | |
| Prior Period Adjustments | | | | | | |
| Fund Balances (Deficits), beginning of fiscal year, restated | 4,554 | 4,554 | | (980,201) | (980,201) | |
| Fund Balances (Deficits), end of fiscal year | <u>\$ 4,554</u> | <u>\$ 4,554</u> | <u>\$ -</u> | <u>\$ (1,014,153)</u> | <u>\$ (1,202,420)</u> | <u>\$ (188,267)</u> |

| Airport | | | Special Fire | | |
|------------------|------------------|------------------------------|-------------------|-------------------|------------------------------|
| Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2,300 | | (2,300) | | | |
| 10,000 | 10,000 | | 71,908 | 55,149 | (16,759) |
| 11,000 | 10,050 | (950) | | | |
| 23,300 | 20,050 | (3,250) | 71,908 | 55,149 | (16,759) |
| | | | 69,457 | 47,888 | 21,569 |
| 39,506 | 38,247 | 1,259 | | | |
| 23,500 | | 23,500 | | | |
| 63,006 | 38,247 | 24,759 | 69,457 | 47,888 | 21,569 |
| (39,706) | (18,197) | 21,509 | 2,451 | 7,261 | 4,810 |
| 63,073 | 63,073 | | 282,249 | 282,249 | |
| 63,073 | 63,073 | | 282,249 | 282,249 | |
| <u>\$ 23,367</u> | <u>\$ 44,876</u> | <u>\$ 21,509</u> | <u>\$ 284,700</u> | <u>\$ 289,510</u> | <u>\$ 4,810</u> |

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INTERNAL SERVICE FUNDS

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, 2015

| ASSETS | Equipment Operations | Risk Management | Information Technology Operations | Totals |
|---|-------------------------|-----------------------|---|--------------------|
| Current assets: | | | | |
| Cash and investments | \$ 2,116,612 | \$ - | \$ 588,420 | \$ 2,705,032 |
| Accounts receivable - net | | 9,191 | | 9,191 |
| Prepaid expenses | | 20,000 | | 20,000 |
| Total current assets | <u>2,116,612</u> | <u>29,191</u> | <u>588,420</u> | <u>2,734,223</u> |
| Capital Assets: | | | | |
| Depreciable | | | | |
| Buildings | 429,246 | | | 429,246 |
| Improvements | 31,236 | | | 31,236 |
| Equipment | 7,151,916 | | 1,441,376 | 8,593,292 |
| Total depreciable capital assets | 7,612,398 | | 1,441,376 | 9,053,774 |
| Less accumulated depreciation | <u>(6,416,539)</u> | | <u>(1,077,421)</u> | <u>(7,493,960)</u> |
| Total capital assets, net | <u>1,195,859</u> | | <u>363,955</u> | <u>1,559,814</u> |
| Total Assets | <u>3,312,471</u> | <u>29,191</u> | <u>952,375</u> | <u>4,294,037</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pensions | 82,413 | | 44,573 | 126,986 |
| Total deferred outflows of resources | <u>82,413</u> | | <u>44,573</u> | <u>126,986</u> |
| Total Assets and Deferred Outflows of Resources | <u>3,394,884</u> | <u>29,191</u> | <u>996,948</u> | <u>4,421,023</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 51,174 | 184,766 | 268,512 | 504,452 |
| Due to other funds | | 937,826 | | 937,826 |
| Claims and judgments payable | | 190,157 | | 190,157 |
| Capital lease payable, current portion | | | 57,133 | 57,133 |
| Compensated absences | 37,867 | | 9,393 | 47,260 |
| Payroll and related liabilities | 13,978 | | 6,389 | 20,367 |
| Total current liabilities | <u>103,019</u> | <u>1,312,749</u> | <u>341,427</u> | <u>1,757,195</u> |
| Noncurrent Liabilities: | | | | |
| Capital lease payable | | | 58,745 | 58,745 |
| Net pension liabilities | 1,287,742 | | 696,474 | 1,984,216 |
| Total noncurrent liabilities | <u>1,287,742</u> | | <u>755,219</u> | <u>2,042,961</u> |
| Total liabilities | <u>1,390,761</u> | <u>1,312,749</u> | <u>1,096,646</u> | <u>3,800,156</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions | 215,474 | | 116,539 | 332,013 |
| Total deferred inflows of resources | <u>215,474</u> | | <u>116,539</u> | <u>332,013</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>1,606,235</u> | <u>1,312,749</u> | <u>1,213,185</u> | <u>4,132,169</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,195,859 | | 363,955 | 1,559,814 |
| Unrestricted | 592,790 | (1,283,558) | (580,192) | (1,270,960) |
| Total Net Position (Deficits) | <u>\$ 1,788,649</u> | <u>\$ (1,283,558)</u> | <u>\$ (216,237)</u> | <u>\$ 288,854</u> |

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Equipment Operations | Risk Management | Information Technology Operations | Totals |
|---|-------------------------|-----------------------|---|-------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ 1,512,435 | \$ 1,857,955 | \$ 1,296,437 | \$ 4,666,827 |
| Other operating revenues | 2,308 | | 3 | 2,311 |
| Total Operating Revenues | 1,514,743 | 1,857,955 | 1,296,440 | 4,669,138 |
| Operating Expenses: | | | | |
| Maintenance and operation Administration | 1,279,165 | 58,684 | 958,954 | 2,296,803 |
| Insurance costs and claims | 35,547 | 1,634,807 | | 1,670,354 |
| Depreciation | 345,163 | | 184,467 | 529,630 |
| Total Expenses | 1,659,875 | 1,693,491 | 1,143,421 | 4,496,787 |
| Operating Income (Loss) | (145,132) | 164,464 | 153,019 | 172,351 |
| Non-Operating Revenues (Expenses) | | | | |
| Interest expense | | | (4,835) | (4,835) |
| Total Non-Operating Revenues/(Expenses) | | | (4,835) | (4,835) |
| Change in Net Position | (145,132) | 164,464 | 148,184 | 167,516 |
| Net Position (Deficits), beginning of fiscal year | 3,330,194 | (1,448,022) | 390,828 | 2,273,000 |
| Prior period adjustment | (1,396,413) | | (755,249) | (2,151,662) |
| Net Position (Deficits), beginning of fiscal year, restated | 1,933,781 | (1,448,022) | (364,421) | 121,338 |
| Net Position (Deficits), end of fiscal year | \$ 1,788,649 | \$ (1,283,558) | \$ (216,237) | \$ 288,854 |

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Equipment Operations</u> | <u>Risk Management</u> | <u>Information Technology Operations</u> | <u>Totals</u> |
|--|---------------------------------|----------------------------|--|---------------------|
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers/interfund charges | \$ 1,514,743 | \$ 1,858,067 | \$ 1,296,440 | \$ 4,669,250 |
| Payments to suppliers and users | (733,586) | (1,735,815) | (732,513) | (3,201,914) |
| Payments to employees | (553,961) | | (294,739) | (848,700) |
| Net Cash Provided (Used) by Operating Activities | <u>227,196</u> | <u>122,252</u> | <u>269,188</u> | <u>618,636</u> |
| Cash Flows from Non-capital Financing Activities: | | | | |
| Due to/from other funds | | (122,252) | | (122,252) |
| Net Cash Provided by Non-capital Financing Activities | | <u>(122,252)</u> | | <u>(122,252)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Principal payments - long-term debt | | | (55,566) | (55,566) |
| Interest paid | | | (4,835) | (4,835) |
| Acquisitions of capital assets | (196,379) | | (12,013) | (208,392) |
| Net Cash Used by Capital and Related Financing Activities | <u>(196,379)</u> | | <u>(72,414)</u> | <u>(268,793)</u> |
| Net Increase in Cash and Cash Equivalents | 30,817 | | 196,774 | 227,591 |
| Cash and Cash Equivalents, July 1, 2014 | <u>2,085,795</u> | | <u>391,646</u> | <u>2,477,441</u> |
| Cash and Cash Equivalents, June 30, 2015 | <u>\$ 2,116,612</u> | <u>\$ -</u> | <u>\$ 588,420</u> | <u>\$ 2,705,032</u> |
| Cash and Investments on Combining Statement of Net Position | <u>\$ 2,116,612</u> | <u>\$ -</u> | <u>\$ 588,420</u> | <u>\$ 2,705,032</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | \$ (145,132) | \$ 164,464 | \$ 153,019 | \$ 172,351 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities: | | | | |
| Depreciation | 345,163 | | 184,467 | 529,630 |
| (Increase) Decrease in Operating Assets: | | | | |
| Accounts receivable | | 112 | | 112 |
| Deferred outflows of resources - pensions | 25,194 | | 13,626 | 38,820 |
| Increase (Decrease) in Operating Liabilities: | | | | |
| Claims and judgments payable | | (48,101) | | (48,101) |
| Accounts payable | (5,263) | 5,777 | (70,530) | (70,016) |
| Compensated absences | 6,555 | | (9,365) | (2,810) |
| Deferred inflows of resources - pensions | 215,474 | | 116,539 | 332,013 |
| Net pension liability | (216,278) | | (116,974) | (333,252) |
| Payroll and related liabilities | 1,483 | | (1,594) | (111) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 227,196</u> | <u>\$ 122,252</u> | <u>\$ 269,188</u> | <u>\$ 618,636</u> |

FIDUCIARY FUNDS

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, 2015**

| | Hazardous Material Response Authority | Successor Agency Capital Project | Successor Agency Debt Service | Totals |
|--|--|---|--|------------------------|
| Assets: | | | | |
| Cash and Investments | \$ 132,605 | \$ - | \$ 2,438,866 | \$ 2,571,471 |
| Cash and Investments with Fiscal Agent, Restricted | | 292,932 | 777,016 | 1,069,948 |
| Other Receivable | | 16,600 | | 16,600 |
| Due from Other Funds | | | 8,215 | 8,215 |
| 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 | | 1,953,771 | | 1,953,771 |
| Total Assets | <u>132,605</u> | <u>6,805,683</u> | <u>3,224,097</u> | <u>10,162,385</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred loss on refunding | | | 81,069 | 81,069 |
| Liabilities: | | | | |
| Accounts Payable | | 83,699 | 25,594 | 109,293 |
| Payroll Payable | | 15 | 3,069 | 3,084 |
| Interest Payable | | | 196,067 | 196,067 |
| Due to Other Funds | | 8,215 | | 8,215 |
| Unearned revenue | | | 2,215,616 | 2,215,616 |
| Noncurrent Liabilities: | | | | |
| Due within One Year | | | 1,424,745 | 1,424,745 |
| Due in More than One Year | | | 23,252,600 | 23,252,600 |
| Total Liabilities | | <u>91,929</u> | <u>27,117,691</u> | <u>27,209,620</u> |
| Net Position: | | | | |
| Unrestricted | 132,605 | 6,713,754 | (23,812,525) | (16,966,166) |
| Total Net Position (Deficits) | <u>\$ 132,605</u> | <u>\$ 6,713,754</u> | <u>\$ (23,812,525)</u> | <u>\$ (16,966,166)</u> |

**CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Hazardous Material Response Authority | Successor Agency Capital Project | Successor Agency Debt Service | Totals |
|---|--|---|--|------------------------|
| Additions: | | | | |
| Taxes | \$ - | \$ - | \$ 2,990,270 | \$ 2,990,270 |
| Investment income | | 186 | 495 | 681 |
| Intergovernmental | 66,386 | | | 66,386 |
| Total Additions | <u>66,386</u> | <u>186</u> | <u>2,990,765</u> | <u>3,057,337</u> |
| Deductions: | | | | |
| Administration | | 3 | 226,271 | 226,274 |
| Depreciation | | 57,713 | | 57,713 |
| Community development | | 84,666 | 274,282 | 358,948 |
| Public safety | 51,908 | | | 51,908 |
| Interest expense | | | 1,270,948 | 1,270,948 |
| Pass-through payments | | | 12,516 | 12,516 |
| Total Deductions | <u>51,908</u> | <u>142,382</u> | <u>1,784,017</u> | <u>1,978,307</u> |
| | | | | |
| Change in Net Position before Transfers | 14,478 | (142,196) | 1,206,748 | 1,079,030 |
| | | | | |
| Transfers in | | | 67,126 | 67,126 |
| Transfers out | | (67,126) | | (67,126) |
| | | | | |
| Change in Net Position | <u>14,478</u> | <u>(209,322)</u> | <u>1,273,874</u> | <u>1,079,030</u> |
| | | | | |
| Net Position (Deficits), beginning of fiscal year | 118,127 | 6,923,076 | (23,805,050) | (16,763,847) |
| Prior Period Adjustments | | | (1,281,349) | (1,281,349) |
| Net Position (Deficits), beginning of fiscal year, restated | <u>118,127</u> | <u>6,923,076</u> | <u>(25,086,399)</u> | <u>(18,045,196)</u> |
| | | | | |
| Net Position (Deficits), end of fiscal year | <u>\$ 132,605</u> | <u>\$ 6,713,754</u> | <u>\$ (23,812,525)</u> | <u>\$ (16,966,166)</u> |

**CITY OF EUREKA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2015**

| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
|----------------------------------|-------------------------|------------------|------------------|--------------------------|
| <u>Trust Holding Fund</u> | | | | |
| <u>Assets:</u> | | | | |
| Cash and investments | \$ 161,550 | \$ 35,859 | \$ 34,079 | \$ 163,330 |
| Total Assets | <u>\$ 161,550</u> | <u>\$ 35,859</u> | <u>\$ 34,079</u> | <u>\$ 163,330</u> |
| <u>Liabilities:</u> | | | | |
| Accounts payable | \$ - | \$ 750 | \$ - | \$ 750 |
| Deposits payable | 161,550 | 35,109 | 34,079 | 162,580 |
| Total Liabilities | <u>\$ 161,550</u> | <u>\$ 35,859</u> | <u>\$ 34,079</u> | <u>\$ 163,330</u> |

STATISTICAL SECTION

**CITY OF EUREKA, CALIFORNIA
STATISTICAL SECTION TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2015**

| | 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 | 135-137 |
| <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 | 138-147 |
| <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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 60,629,251 | \$ 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 |
| Restricted for: | | | | | | | | | | |
| Capital Projects (2) | | | | | 6,509,829 | | | | | |
| Public Safety (2) | 570,045 | 360,547 | 312,457 | 222,458 | | 601,565 | 772,115 | 519,948 | 748,457 | 820,142 |
| Streets and Roads (2) | 946,963 | 615,192 | 1,366,470 | 2,042,478 | | 1,639,450 | 1,148,809 | 972,895 | 616,015 | 422,871 |
| Public Health (3) | | | | | | 12,267 | 8,376 | | 69,735 | 159,510 |
| Special Projects | 200,142 | | | | 478,013 | | | | | |
| Community Redevelopment | 11,838,556 | 13,564,799 | 14,722,787 | 15,914,014 | 16,783,354 | 15,884,648 | 14,809,855 | 15,081,422 | 15,005,246 | 14,726,650 |
| Community Development | | | | | | 6,669,420 | | | | |
| Debt Service | | | 18,000 | | 4,471,878 | | | | | |
| Airport (2) | 190,628 | 203,584 | 224,943 | 241,392 | | 225,190 | 203,019 | 120,386 | 63,073 | 44,876 |
| Unrestricted | 1,370,238 | 3,213,134 | 1,785,784 | 845,387 | (2,420,313) | (138,542) | 3,961,681 | (5,204,140) | (5,379,685) | (37,199,437) |
| Total governmental activities net assets | <u>\$ 75,745,823</u> | <u>\$ 77,949,436</u> | <u>\$ 78,002,752</u> | <u>\$ 77,880,096</u> | <u>\$ 76,886,469</u> | <u>\$ 76,488,123</u> | <u>\$ 94,639,610</u> | <u>\$ 84,115,217</u> | <u>\$ 83,022,065</u> | <u>\$ 53,060,698</u> |
| % change from prior year | -0.83% | 2.91% | 0.07% | -0.16% | -1.28% | -0.52% | 23.73% | -11.12% | -1.30% | -36.09% |
| Business-Type Activities: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 56,739,394 | \$ 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 |
| Restricted for: | | | | | | | | | | |
| Capital Projects | 3,946,317 | 2,612,843 | 2,127,767 | 10,355,814 | 5,506,810 | 6,118,838 | 25,595,984 | | | |
| Debt Service | 521,417 | | | | 191,731 | | | | | |
| Special Projects | | | | | 686,093 | | | | | |
| Unrestricted | 12,415,222 | 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 |
| Total Business-type Activities Net Assets | <u>\$ 73,622,350</u> | <u>\$ 71,288,487</u> | <u>\$ 71,399,897</u> | <u>\$ 71,883,149</u> | <u>\$ 69,838,234</u> | <u>\$ 69,483,908</u> | <u>\$ 72,188,674</u> | <u>\$ 76,861,838</u> | <u>\$ 80,635,307</u> | <u>\$ 75,060,221</u> |
| % change from prior year | 6.18% | -3.17% | 0.16% | 0.68% | -2.84% | -0.51% | 3.89% | 6.47% | 4.91% | -6.91% |
| Primary Government | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 117,368,645 | \$ 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 |
| Restricted for: | | | | | | | | | | |
| Capital Projects (2) | | | | | 12,016,639 | 6,118,838 | 25,595,984 | | | |
| Public Safety (2) | 570,045 | 360,547 | 312,457 | 222,458 | | 601,565 | 772,115 | 519,948 | 748,457 | 820,142 |
| Streets and Roads (2) | 946,963 | 615,192 | 1,366,470 | 2,042,478 | | 1,639,450 | 1,148,809 | 972,895 | 616,015 | 422,871 |
| Public Health (3) | | | | | | 12,267 | 8,376 | | 69,735 | 159,510 |
| Special Projects | 4,146,459 | 2,612,843 | 2,127,767 | 10,355,814 | 1,164,106 | | | | | |
| Community Redevelopment | 11,838,556 | 13,564,799 | 14,722,787 | 15,914,014 | 16,783,354 | 15,884,648 | 14,809,855 | 15,081,422 | 15,005,246 | 14,726,650 |
| Community Development | | | | | | 6,669,420 | | | | |
| Debt Service | 521,417 | | 18,000 | | 4,663,609 | | | | | |
| Airport (2) | 190,628 | 203,584 | 224,943 | 241,392 | - | 225,190 | 203,019 | 120,386 | 63,073 | 44,876 |
| Unrestricted | 13,785,460 | 13,489,606 | 11,956,232 | 3,769,626 | 1,438,826 | 22,730,914 | 15,918,153 | 9,209,589 | 8,790,270 | (30,180,871) |
| Total Primary Government Net Assets | <u>\$ 149,368,173</u> | <u>\$ 149,237,923</u> | <u>\$ 149,402,649</u> | <u>\$ 149,763,245</u> | <u>\$ 146,724,703</u> | <u>\$ 145,972,031</u> | <u>\$ 166,828,284</u> | <u>\$ 160,977,055</u> | <u>\$ 163,657,372</u> | <u>\$ 128,120,919</u> |
| % change from prior year | 2.50% | -0.09% | 0.11% | 0.24% | -2.03% | -0.51% | 14.29% | -3.51% | 1.67% | -21.71% |

(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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | | | | |
| General Government | \$ 3,530,892 | \$ 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 |
| Community Development | 3,198,428 | 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 |
| Public Safety | 11,715,731 | 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 |
| Public Works | 2,631,869 | 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 |
| Parks and Recreation | 1,997,492 | 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 |
| Interest on Long-term Debt | 1,998,632 | 2,007,686 | 1,958,961 | 1,235,223 | 1,385,114 | 1,613,024 | 585,265 | 33,601 | 62,527 | 40,434 |
| Unallocated Depreciation (8) | 1,789,798 | 2,065,839 | 2,199,036 | 2,236,926 | | | | | | |
| Total Governmental Activities Expenses | 26,862,842 | 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 |
| <i>Business-type Activities:</i> | | | | | | | | | | |
| Water | 3,643,896 | 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 |
| Wastewater | 4,755,559 | 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 |
| Harbor | 1,103,056 | 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 |
| Building | 472,560 | 562,867 | 593,859 | 613,222 | 567,019 | 569,063 | 791,204 | 815,596 | 1,006,132 | 1,309,222 |
| Transit | 1,692,494 | 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 |
| Golf | 17,066 | 21,205 | 25,800 | 21,887 | 13,920 | 17,953 | 12,451 | 29,804 | 15,292 | 13,282 |
| Total Business-type Activities Expenses | 11,684,631 | 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 |
| Total Primary Government Expenses | \$ 38,547,473 | \$ 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 |
| Program Revenues | | | | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | | | | |
| <i>Charges for Services</i> | | | | | | | | | | |
| General Government | \$ 1,292,354 | \$ 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 |
| Community Development | 156,886 | 445,116 | 640,538 | 122,917 | 514,814 | 204,143 | 180,954 | 201,418 | 162,464 | 292,129 |
| Public Safety | 558,071 | 609,765 | 783,418 | 991,146 | 1,071,152 | 956,618 | 853,818 | 921,529 | 986,573 | 966,910 |
| Public Works | 64,931 | 106,727 | 109,145 | 135,798 | 750,499 | 951,437 | 640,947 | 640,147 | 772,853 | 93,153 |
| Parks and Recreation | 570,242 | 446,885 | 525,158 | 556,282 | 569,360 | 711,415 | 972,891 | 668,474 | 720,164 | 882,453 |
| Operating Grants and Contributions | 1,845,142 | 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 |
| Capital Grants and Contributions | 1,798,449 | 1,939,634 | 2,275,470 | 3,441,840 | 2,208,338 | 1,317,677 | 369,854 | 316,294 | 886,675 | 5,475,874 |
| Total Governmental Activities Program Revenues | 6,286,075 | 7,271,751 | 7,388,075 | 8,934,899 | 7,047,958 | 11,006,132 | 7,881,472 | 7,674,915 | 8,507,650 | 15,300,654 |
| <i>Business-type Activities:</i> | | | | | | | | | | |
| <i>Charges for Services</i> | | | | | | | | | | |
| Water | 5,140,318 | 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 |
| Wastewater | 4,748,497 | 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 |
| Harbor | 608,903 | 560,880 | 650,154 | 670,275 | 540,785 | 624,569 | 779,144 | 1,084,837 | 1,084,221 | 918,264 |
| Building | 462,135 | 394,603 | 512,065 | 384,634 | 642,815 | 496,274 | 522,817 | 815,596 | 863,099 | 1,507,249 |
| Transit | 1,301,965 | 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 |
| Golf | 37,862 | 19,780 | 24,015 | 22,378 | 26,861 | 23,187 | 22,980 | 29,804 | 25,582 | 26,256 |
| Operating Grants and Contributions | | | | | | 241,400 | | | | |
| Capital Grants and Contributions | 272,728 | 890,000 | 127,651 | | 542,493 | | 3,420,342 | 2,673,933 | 555,640 | |
| Total Business-type Activities Program Revenues | 12,572,408 | 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 |
| Total Primary Government Program Revenues | \$ 18,858,483 | \$ 20,594,142 | \$ 20,481,237 | \$ 21,432,335 | \$ 21,385,299 | \$ 25,480,817 | \$ 27,320,449 | \$ 27,590,201 | \$ 33,923,740 | \$ 38,407,330 |

City of Eureka, California
Changes in Net Position
June 30, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Net (Expenses)/Revenues (3) | | | | | | | | | | |
| <i>Governmental Activities</i> | \$ (20,576,767) | \$ (24,171,251) | \$ (23,806,911) | \$ (23,015,545) | \$ (23,501,553) | \$ (24,350,244) | \$ (25,850,224) | \$ (26,832,766) | \$ (24,957,747) | \$ (19,036,375) |
| <i>Business-type Activities</i> | 887,777 | (16,580) | (491,414) | (1,098,273) | (329,402) | (720,392) | 2,740,807 | 2,673,933 | 7,351,988 | 5,525,659 |
| Total Primary Government Net (Expenses) | <u>\$ (19,688,990)</u> | <u>\$ (24,187,831)</u> | <u>\$ (24,298,325)</u> | <u>\$ (24,113,818)</u> | <u>\$ (23,830,955)</u> | <u>\$ (25,070,636)</u> | <u>\$ (23,109,417)</u> | <u>\$ (24,158,833)</u> | <u>\$ (17,605,759)</u> | <u>\$ (13,510,716)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Taxes | \$ 5,135,206 | \$ 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 |
| Sales Taxes | 9,278,077 | 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 |
| Transient Occupancy Tax | 1,463,487 | 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 |
| 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 |
| Utility User's Tax (4) | 1,518,672 | 1,334,370 | 1,454,764 | 1,171,659 | (5,437) | | | | | |
| Business License Tax | 243,106 | 279,589 | 268,092 | 262,680 | 274,377 | 239,577 | 237,286 | 235,026 | 232,914 | 237,672 |
| Permits and Franchise Tax | 747,954 | 820,889 | 848,153 | 904,913 | 837,157 | 851,300 | 853,047 | 853,679 | 888,602 | 882,318 |
| Investment Income | 1,561,018 | 2,000,148 | 1,619,030 | 1,130,512 | 362,666 | 427,100 | 61,875 | 401,770 | 2,769 | 10,025 |
| Gain on Sale of Capital Asset | | | 1,153 | | | 113,636 | | | | |
| Disposal of Capital Asset | | | (68,860) | | | | | | | |
| Motor Vehicle In-lieu, unrestricted (5) | 1,907,041 | 1,908,795 | 2,007,793 | 2,095,742 | 2,152,526 | 124,558 | 13,498 | 13,986 | | 11,181 |
| Other Taxes (7) | | | | | 506,881 | | | | | |
| Miscellaneous | 270,050 | 263,469 | 186,373 | 626,772 | 624,645 | 401,704 | 1,198,577 | 1,408,295 | 551,351 | 285,182 |
| Transfers | (2,602,206) | (270,630) | (180,710) | (466,675) | (478,335) | (470,067) | 260,267 | (102,047) | (11,440) | |
| Trust Funds | | | | | | | 18,731,372 | | | |
| Total Governmental Activities | <u>19,522,405</u> | <u>23,582,865</u> | <u>23,757,199</u> | <u>23,105,347</u> | <u>22,295,666</u> | <u>24,138,761</u> | <u>43,915,609</u> | <u>23,463,254</u> | <u>23,861,371</u> | <u>23,817,896</u> |
| <i>Business-type Activities:</i> | | | | | | | | | | |
| Property Taxes | | | | | | | | | 112,141 | |
| Investment Income | 742,297 | 513,009 | 487,928 | 622,839 | 333,083 | | 154,388 | 214,476 | 23,267 | 14,894 |
| Gain on sale of Capital Asset | | | | 5,573 | | 225,015 | | 47,452 | | |
| Miscellaneous | | | 11,021 | 455,251 | 438 | | | | | |
| Transfers | 2,602,206 | 270,630 | 180,710 | 466,675 | 478,335 | 470,067 | (260,267) | 102,047 | 11,440 | |
| Total Business-type Activities | <u>3,344,503</u> | <u>783,639</u> | <u>679,659</u> | <u>1,550,338</u> | <u>811,856</u> | <u>695,082</u> | <u>(105,879)</u> | <u>363,975</u> | <u>146,848</u> | <u>14,894</u> |
| Total Primary Government | <u>\$ 22,866,908</u> | <u>\$ 24,366,504</u> | <u>\$ 24,436,858</u> | <u>\$ 24,655,685</u> | <u>\$ 23,107,522</u> | <u>\$ 24,833,843</u> | <u>\$ 43,809,730</u> | <u>\$ 23,827,229</u> | <u>\$ 24,008,219</u> | <u>\$ 23,832,790</u> |
| Change in Net Assets | | | | | | | | | | |
| <i>Governmental Activities</i> | \$ (1,054,362) | \$ (588,386) | \$ (49,712) | \$ 89,802 | \$ (1,205,887) | \$ (211,483) | \$ 18,065,385 | \$ (3,369,512) | \$ (1,096,376) | \$ 4,781,521 |
| <i>Business-type Activities</i> | 4,232,280 | 767,059 | 188,245 | 452,065 | 482,454 | (25,310) | 2,634,928 | 3,037,908 | 7,498,836 | 5,540,553 |
| Total Primary Government | <u>\$ 3,177,918</u> | <u>\$ 178,673</u> | <u>\$ 138,533</u> | <u>\$ 541,867</u> | <u>\$ (723,433)</u> | <u>\$ (236,793)</u> | <u>\$ 20,700,313</u> | <u>\$ (331,604)</u> | <u>\$ 6,402,460</u> | <u>\$ 10,322,074</u> |

(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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Parking | \$ 28,000 | \$ 28,000 | \$ 28,000 | \$ 28,000 | \$ 28,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Prepaid Items | 8,993 | 17,655 | 24,829 | 36,551 | 40,343 | 5,879 | 238,434 | 85,935 | 6,915 | 40,837 |
| Advances | 4,721,175 | 4,854,076 | 4,571,015 | 3,509,275 | | | | | | |
| Land Held for Resale | | | | | | | | | | |
| Unreserved/Unassigned | 2,130,331 | 974,547 | 1,012,166 | 357,337 | 2,227,128 | 2,056,339 | 2,053,897 | 1,822,717 | 2,054,276 | 2,036,084 |
| Total General Fund | <u>6,888,499</u> | <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> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | | | | | 179,830 | | | | | |
| Notes and Loans Receivable | 6,162,818 | | | | | | | | | |
| Fire Tower (2) | | | | | 14,287 | | | | | |
| Debt Service (2) | | | | | 829,896 | | | | | |
| Capital Projects (2) | | | | | 3,641,982 | | | | | |
| Public Safety (3) | | | | | | 601,565 | 772,115 | 519,948 | 734,110 | 820,142 |
| Public Health (3) | | | | | | 12,267 | 8,376 | | 69,735 | 159,510 |
| Road Improvements (3) | | | | | | 1,639,450 | 1,148,809 | 972,895 | 464,832 | 422,871 |
| 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 |
| Low/Moderate Income Housing/Housing | 4,021,782 | 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 |
| Advances | 122,520 | 101,355 | 89,690 | 77,237 | 63,944 | | | | | |
| Land Held for Resale | 4,613,178 | 4,613,178 | 4,613,178 | 4,913,351 | 211,388 | | | | | |
| Land Acquisition | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 2,592,983 | 1,726,163 | 2,846,285 | 4,406,101 | 4,664,137 | | | | | |
| Capital Projects Funds | 2,584,182 | 822,031 | 133,883 | | 46,567 | | | | | |
| Debt Service Funds | (13,912,294) | (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) |
| Total Other Governmental Funds | <u>6,185,169</u> | <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> |
| Total Governmental Funds | <u>\$ 13,073,668</u> | <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> |
| % change from prior year | -20.67% | -47.07% | 0.09% | -8.29% | 78.69% | -3.11% | -40.59% | -13.41% | -1.81% | -12.73% |

(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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|--------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 17,882,638 | \$ 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 |
| Licenses, Permits and Fees | 829,070 | 820,889 | 848,153 | 904,913 | 959,829 | 998,156 | 1,002,508 | 1,002,305 | 1,015,408 | 1,017,758 |
| Fines and Penalties | 210,893 | 176,083 | 409,635 | 269,986 | 372,359 | 407,856 | 417,532 | 478,662 | 461,027 | 520,983 |
| Investment Income | 1,538,316 | 1,752,598 | 1,372,724 | 697,452 | 752,838 | 131,972 | 16,416 | 66,105 | 3,968 | 10,025 |
| Intergovernmental | 5,225,567 | 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 |
| Charges for Services | 2,435,122 | 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 |
| Other Revenues | 372,319 | 250,039 | 242,422 | 620,842 | 1,012,883 | 1,330,671 | 2,334,043 | 1,923,111 | 810,388 | 439,776 |
| Total Revenues | 28,493,925 | 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 |
| % change from prior year | 29.46% | 2.25% | 6.72% | -3.11% | -1.74% | 20.48% | -7.44% | -2.03% | -0.07% | 9.14% |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 3,533,578 | 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 |
| Public Safety | 11,565,775 | 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 |
| Public Works | 2,573,899 | 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 |
| Community Development | 3,336,827 | 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 |
| Culture and Recreation | 1,911,252 | 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 |
| Capital Outlay | 4,220,936 | 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 |
| Debt Service: | | | | | | | | | | |
| Principal | 505,753 | 148,183 | 161,287 | 175,690 | 303,018 | 314,679 | 326,811 | 230,087 | 329,680 | 238,421 |
| Interest and fiscal charges | 1,909,017 | 1,857,798 | 1,899,939 | 1,169,101 | 1,217,704 | 1,536,134 | 760,226 | 32,412 | 65,891 | 42,685 |
| Cost of Issuance | | | | | 257,200 | | | | | |
| Total Expenditures | 29,557,037 | 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 |
| % change from prior year | 28.04% | 11.42% | -7.01% | -2.45% | 10.26% | 7.33% | -8.75% | 5.08% | -4.39% | 10.75% |
| Excess of Revenues Over (Under) Expenditures | (1,063,112) | (3,794,929) | 469,549 | 251,276 | (3,337,041) | 312,180 | 750,570 | (1,556,181) | (90,686) | (621,559) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers from Other Funds | 7,723,228 | 1,527,976 | 1,537,155 | 3,229,150 | 11,020,178 | 7,503,599 | 1,595,233 | 2,667 | | |
| Transfers to Other Funds | (10,325,434) | (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 | 399,946 | 1,119,079 | 507,594 | 290,692 | | | | | | |
| Total Other Financing Sources (Uses) | (2,202,260) | 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 - Gan/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds | | | | | | | (4,613,294) | | | |
| Net Change in Fund Balance | \$ (3,265,372) | \$ (2,934,809) | \$ (85,669) | \$ (757,957) | \$ 4,997,287 | \$ (166,347) | \$ (4,539,569) | \$ (875,749) | \$ (102,126) | \$ (707,271) |
| Debt Service as a Percentage of Non-capital Expenditures | 9.53% | 7.12% | 7.32% | 4.82% | 6.34% | 6.22% | 3.73% | 0.87% | 1.32% | 0.85% |

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

City of Eureka, California
Tax Revenues by Source
June 30, 2015
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Property</u> | <u>Sales</u> | <u>Occupancy</u> | <u>Utility User (2)</u> | <u>Transaction and Use Tax</u> (3) | <u>Business License</u> | <u>Other</u> |
|---------------------|-----------------|---------------|------------------|-------------------------|------------------------------------|-------------------------|--------------|
| 2006 | \$ 5,486,195 | \$ 9,278,077 | \$ 1,434,084 | \$ 1,349,496 | - | \$ 215,849 | 142 |
| 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 | 44 |
| Change 2006-2015 | -29.37% | 6.63% | 68.71% | -100.00% | N/A | 10.11% | -69.01% |

(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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Consumer Goods | \$ 2,996,894 | \$ 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 |
| Autos and Transportation | 1,742,420 | 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 |
| Building and Construction | 959,297 | 965,817 | 883,059 | 713,867 | 727,961 | 689,080 | 724,208 | 737,861 | 692,926 | 772,796 |
| Fuel and Service Stations | 969,667 | 967,886 | 971,471 | 784,340 | 754,419 | 886,917 | 944,898 | 906,447 | 920,161 | 923,211 |
| Business and Industry | 825,003 | 917,243 | 445,028 | 769,706 | 727,129 | 711,572 | 649,664 | 664,658 | 708,942 | 696,546 |
| Restaurants and Hotels | 632,568 | 644,371 | 711,783 | 617,506 | 653,545 | 643,051 | 669,422 | 693,887 | 790,799 | 802,328 |
| Food and Drugs | 423,273 | 433,697 | 608,934 | 503,271 | 484,066 | 479,149 | 479,222 | 453,796 | 460,641 | 472,719 |
| Transfers and Unidentified | | | | | | | | | | 2,467 |
| Total | <u><u>\$ 8,549,122</u></u> | <u><u>\$ 8,781,662</u></u> | <u><u>\$ 8,308,351</u></u> | <u><u>\$ 7,461,371</u></u> | <u><u>\$ 7,407,918</u></u> | <u><u>\$ 7,641,813</u></u> | <u><u>\$ 7,824,521</u></u> | <u><u>\$ 8,216,309</u></u> | <u><u>\$ 8,531,068</u></u> | <u><u>\$ 8,838,918</u></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, 2015

| | Fiscal Year | | | | | | |
|-----------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2009 (1) | 2010 | 2011 (2) | 2012 | 2013 | 2014 | 2015 |
| General Consumer Goods | \$ 144,506 | \$ 702,360 | \$ 1,011,115 | \$ 2,217,913 | \$ 2,338,326 | \$ 2,334,239 | \$ 2,407,158 |
| Autos and Transportation | 48,966 | 220,154 | 370,774 | 760,656 | 855,560 | 878,161 | 857,020 |
| Building and Construction | 38,579 | 158,052 | 247,257 | 513,074 | 579,075 | 536,531 | 591,656 |
| Business and Industry | 62,829 | 274,489 | 403,666 | 814,139 | 809,515 | 954,390 | 833,565 |
| Food and Drugs | 34,132 | 123,091 | 178,915 | 358,223 | 342,640 | 347,102 | 346,394 |
| Fuel and Service Stations | 30,758 | 145,281 | 251,857 | 517,812 | 514,764 | 515,786 | 518,537 |
| Restaurants and Hotels | 33,330 | 155,359 | 239,605 | 493,408 | 529,055 | 595,070 | 604,380 |
| Transfers and Unidentified | - | 293 | - | - | 245 | 923 | 2,534 |
| 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> |
| City transaction and use tax rate | 0.25% | 0.25% | 0.25% - 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, 2015
Last Ten Fiscal Years

| Fiscal Year | City Direct Rate | Humboldt County |
|------------------------|---------------------------------|----------------------------|
| 2006 | 0.75% | 0.25% |
| 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% |

(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, 2015
Last Ten Fiscal Years

| Fiscal Year | Secured | Unsecured | SBE Nonunitary | Net Total Assessed Value | % Change |
|--------------------|------------------|------------------|-----------------------|---------------------------------|-----------------|
| 2006 | \$ 1,467,514,250 | \$ 152,429,910 | \$ 3,371,263 | \$ 1,623,315,423 | 9.25% |
| 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 | 2,019,528,143 | 162,357,948 | 959,109 | 2,182,845,200 | 5.39% |

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, 2015
Last Ten Fiscal Years

| Agency | | Fiscal Year | | | | | | | | | |
|---|-----|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| 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 | | 0.01300 | 0.01000 | 0.01500 | 0.01200 | 0.01300 | 0.01300 | 0.01200 | 0.01100 | 0.01100 | 0.01300 |
| Eureka Unified Elementary | | 0.01600 | 0.02100 | 0.01600 | 0.01900 | 0.01800 | 0.01800 | 0.02000 | 0.01400 | 0.02200 | 0.02100 |
| Eureka Unified High | | 0.04000 | 0.04200 | 0.03600 | 0.03300 | 0.03500 | 0.03800 | 0.03600 | 0.03000 | 0.03400 | 0.03300 |
| Freshwater Elementary Go Bonds 2001 | | 0.04900 | 0.04800 | 0.04200 | 0.04100 | 0.04100 | 0.04100 | 0.03500 | 0.03800 | 0.03900 | 0.03700 |
| Jacoby Creek Elementary School | | 0.02000 | 0.01600 | 0.01200 | 0.02300 | 0.01300 | 0.01300 | 0.01900 | 0.01700 | 0.01600 | 0.00000 |
| Northern Humboldt Unified School Dist 2010 Bond | | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.01800 | 0.01900 | 0.01800 | 0.01700 |
| South Bay Elementary Go Bonds 1999 | | 0.01700 | 0.01200 | 0.00900 | 0.00800 | 0.00600 | 0.00600 | 0.00500 | 0.00300 | 0.00400 | 0.00400 |
| Total Direct and Overlapping Tax Rates | (2) | 1.15500 | 1.14900 | 1.13000 | 1.13600 | 1.12600 | 1.12900 | 1.14500 | 1.13200 | 1.14400 | 1.12500 |
| City's Share of 1% Levy Per Prop 13 | (3) | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 | 0.16232 |
| Redevelopment Rate | (4) | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | | | |
| Total Direct Rate | (5) | 0.35585 | 0.35545 | 0.30479 | 0.30969 | 0.30958 | 0.30697 | 0.30821 | 0.30363 | 0.09352 | 0.08756 |

- (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 2005-06 to 2014-15 Tax Rate Table

City of Eureka, California
Principal Property Tax Payers
June 30, 2015
Current Year and Nine Years Ago

2005-06

| Company | Type of Business | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
|-----------------------------------|------------------|-----------------------|------|--|
| Bayshore Mall | Shopping Mall | \$ 48,101,935 | 1 | 2.96% |
| Target Corporation | Durable Goods | 14,413,911 | 2 | 0.89% |
| Costco Wholesale Corporation | Durable Goods | 13,990,529 | 3 | 0.86% |
| L & H Properties LLC | Developer | 8,543,485 | 4 | 0.53% |
| Cox Communications Humboldt Inc | Entertainment | 8,238,075 | 5 | 0.51% |
| Humboldt Partners | Bank | 8,105,974 | 6 | 0.50% |
| Commercial Net Lease Realty, Inc. | Developer | 7,900,000 | 7 | 0.49% |
| PWM Inc. | Investment | 7,872,114 | 8 | 0.48% |
| Schmidbauer Lumber Inc. | Wood Products | 7,621,066 | 9 | 0.47% |
| The Country Inn | Hotel | 7,457,327 | 10 | 0.46% |
| Totals | | \$ 132,244,416 | | 8.15% |

2014-15

| Company | Type of Business | Taxable Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
|--------------------------------|------------------|----------------------------------|------|--|
| Bayshore Mall | Shopping Mall | \$ 23,594,046 | 1 | 1.08% |
| Costco Wholesale Corporation | Durable Goods | 16,932,464 | 2 | 0.78% |
| Target Corporation | Durable Goods | 15,838,979 | 3 | 0.73% |
| PWM Inc. | Investment | 12,813,737 | 4 | 0.59% |
| CUE LLC | Investment | 11,672,308 | 5 | 0.53% |
| The Country Inn | Hotel | 10,670,857 | 6 | 0.49% |
| Ronald J Harris Trust | Investment | 10,442,741 | 7 | 0.48% |
| Humboldt Partners | Bank | 9,993,429 | 8 | 0.46% |
| Schmidbauer Lumber Inc. | Lumber | 9,826,762 | 9 | 0.45% |
| Spirit WA Eureka California LP | Investment | 9,700,000 | 10 | 0.44% |
| Totals | | \$ 131,485,323 | | 6.03% |

Source: HdL Coren and Cone CAFR Report

City of Eureka, California
Property Tax Levies and Collections (1)
June 30, 2015
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 |
| 2006 | \$ 5,135,206 | \$ 5,135,206 | 100.0% |
| 2007 | 5,891,831 | 5,891,831 | 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% |

(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, 2015
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 | | | |
| 2006 | \$ 15,250,000 | \$ 743,961 | \$ - | \$ 13,270,000 | \$ 3,730,000 | \$ 765,000 | \$ 2,465,705 | \$ 875,681 | \$ 37,100,347 | 4.90% | 1,416 |
| 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 | 1,140,299 | 1,467,927 | 18,895,000 | 18,520,000 | 105,000 | 1,871,714 | 981,418 | 65,061,358 | 10.71% | 2,417 |
| 2015 | 20,820,000 | 846,312 | 1,352,310 | 18,345,000 | 18,105,000 | - | 1,781,659 | 667,549 | 61,917,830 | 10.94% | 2,289 |

(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, 2015
Last Ten Fiscal Years

| Fiscal Year | Fiduciary Activities (1) | | |
|-------------|--------------------------|--------------------------|----------------------------|
| | Redevelopment Bonds | Infrastructure Bank Loan | Total Fiduciary Activities |
| 2006 | \$ - | \$ - | \$ - |
| 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 |
| 2005 | 20,820,000 | 1,352,310 | 22,172,310 |

(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, 2015
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> |
|--------------------|---|---|-------------------|
| 2006 | \$ 15,250,000 | 3.4037% | 581.95 |
| 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 |

(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, 2015

| | <u>Percentage Applicable to City of Eureka (1)</u> | <u>Outstanding Debt 6/30/2015</u> | <u>City of Eureka Share of Debt</u> |
|---|--|---|---|
| <u>OVERLAPPING DEBT REPAID WITH PROPERTY TAXES:</u> | | | |
| Redwoods Joint Community College District | 12.905% | \$ 32,230,000 | \$ 4,159,282 |
| Eureka Unified School District | 54.216% | 26,919,989 | 14,594,941 |
| Eureka Unified School District School Facilities Improvement District No. 1 | 79.218% | 8,184,943 | 6,483,948 |
| North Humboldt Union High School District | 0.168% | 12,325,223 | 20,706 |
| Freshwater School District | 0.395% | 790,000 | 3,121 |
| South Bay Union School District | 2.299% | 980,000 | 22,530 |
| Humboldt Bay Harbor Recreation and Conservation District | 18.175% | 2,180,000 | 396,215 |
| TOTAL OVERLAPPING DEBT REPAID WITH PROPERTY TAXES | | <u>\$ 83,610,155</u> | <u>\$ 25,680,743</u> |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Humboldt County Certificates of Participation | 18.175% | \$ 14,365,000 | \$ 2,610,839 |
| Humboldt County Board of Education Certificates of Participation | 18.175% | 3,220,000 | 585,235 |
| Redwoods Joint Community College District Certificates of Participation | 12.905% | 149,800 | 19,332 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | <u>\$ 17,734,800</u> | <u>\$ 3,215,406</u> |
| <u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY):</u> | | | |
| City of Eureka Tax Allocation Bonds | 100.000% | \$ 12,125,000 | \$ 12,125,000 |
| City of Eureka Lease Revenue Bonds | 100.000% | 8,695,000 | 8,695,000 |
| | | <u>\$ 20,820,000</u> | <u>\$ 20,820,000</u> |
| CITY DIRECT DEBT | | | - |
| COMBINED TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT | | | <u><u>\$ 49,716,149</u></u> (2) |

(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, 2015
 Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | Fiscal Year 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|
| Total assessed value of all real and personal property | \$ 1,623,315,423 | \$ 1,752,324,682 | \$ 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 | \$ 2,182,845,200 |
| 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 | 60,874,328 | 65,712,176 | 70,200,793 | 74,597,716 | 77,186,984 | 76,738,542 | 76,401,288 | 76,740,851 | 77,667,962 | 81,856,695 |
| Amount of debt applicable to debt limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | \$ 60,874,328 | \$ 65,712,176 | \$ 70,200,793 | \$ 74,597,716 | \$ 77,186,984 | \$ 76,738,542 | \$ 76,401,288 | \$ 76,740,851 | \$ 77,667,962 | \$ 81,856,695 |

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

Source: Humboldt County Auditor

City of Eureka, California
Revenue Bond Coverage
Water Revenue Bonds
June 30, 2015
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) | |
| 2006 | \$ 5,677,593 | \$ 2,836,519 | \$ 2,841,074 | \$ 300,000 | \$ 910,019 | \$ 1,210,019 | 2.35 |
| 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 | 7,716,176 | 5,098,576 | 2,617,600 | 550,000 | 861,733 | 1,411,733 | 1.85 |

(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, 2015
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 | |
| 2006 | \$ 4,718,441 | \$ 3,110,009 | \$ 1,608,432 | \$ 515,000 | \$ 204,566 | \$ 719,566 | 2.24 |
| 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 | 11,228,721 | 4,805,335 | 6,423,386 | 415,000 | 883,620 | 1,298,620 | 4.95 |

- (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, 2015
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 | |
| 2006 | \$ 691,147 | \$ 579,045 | \$ 112,102 | \$ 125,598 | \$ 165,322 | \$ 290,920 | 0.39 |
| 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 |

- (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, 2015
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|--------------------|-------------------|------------------------|-----------------------------------|--------------------------|
| 2006 | 26,360 | \$ 485,868,000 | \$ 18,432 | 6.6% |
| 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% |

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

City of Eureka, California
Principal Employers
June 30, 2015
Current Year and Nine Years Ago

2006

| <u>Employer (1)</u> | <u>Type of Business</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment (2)</u> |
|--------------------------|-----------------------------|------------------|-------------|--|
| Schmidbauer Lumber | Wood products | 165 | 1 | 0.23% |
| SN Servicing Corporation | Financial Services | 137 | 2 | 0.19% |
| Costco Wholesale #125 | Department Store | 127 | 3 | 0.18% |
| Times Standard | Newspaper | 106 | 4 | 0.15% |
| Pierson Building Center | Lumber & Building Materials | 100 | 5 | 0.14% |
| Pacific Choice Seafoods | Fish & Seafoods | 90 | 6 | 0.13% |
| Winco Foods | Grocery Store | 87 | 7 | 0.12% |
| Target Stores | Department Store | 82 | 8 | 0.11% |
| K-Mart | Department Store | 80 | 9 | 0.11% |
| Harper Company | Automobile | 68 | 10 | 0.09% |
| Total | | <u>1,042</u> | | <u>1.45%</u> |

2015

| <u>Employer (1)</u> | <u>Type of Business</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment (2)</u> |
|-------------------------|-----------------------------|------------------|-------------|--|
| 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 | | <u>1,188</u> | | <u>1.68%</u> |

(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 Micropolitan area.

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

City of Eureka, California
Full-time Equivalent City Government Employees by Function/Program
June 30, 2015
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Government | | | | | | | | | | |
| City Manager | 3.00 | 3.00 | 3.00 | 3.00 | 1.50 | 1.50 | 1.50 | 2.00 | 4.50 | 1.50 |
| City Clerk / IT | 2.00 | 2.00 | 2.00 | 2.00 | 1.50 | 1.50 | 1.50 | 1.50 | 5.50 | 5.50 |
| Personnel | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.75 | 3.80 | 3.80 | 3.80 |
| Finance | 13.60 | 15.20 | 15.20 | 15.20 | 14.15 | 14.05 | 14.25 | 15.70 | 12.20 | 12.20 |
| City Attorney | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 3.00 |
| Police | | | | | | | | | | |
| Officers | 49.00 | 49.00 | 49.00 | 50.00 | 52.00 | 52.00 | 53.00 | 53.00 | 55.00 | 55.00 |
| Civilians | 29.00 | 34.00 | 33.00 | 31.00 | 31.00 | 31.60 | 31.60 | 31.60 | 31.60 | 32.00 |
| Fire (2) | | | | | | | | | | |
| Firefighters and Officers | 37.00 | 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 | 2.00 | - |
| Parks & Recreation | | | | | | | | | | |
| Park / Facilities Operations | 8.00 | 9.60 | 9.60 | 8.80 | 7.00 | 8.80 | 8.80 | 7.00 | 9.70 | 17.70 |
| Harbor | 4.00 | 4.00 | 4.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Recreation | 7.43 | 7.74 | 7.94 | 7.74 | 7.44 | 7.44 | 7.16 | 7.16 | 7.86 | 7.04 |
| Sequoia Park Zoo | 6.25 | 6.25 | 6.50 | 6.50 | 7.30 | 7.30 | 7.30 | 7.30 | 7.30 | 7.30 |
| Public Works | | | | | | | | | | |
| Administration (1) | - | - | - | - | 3.75 | 3.45 | 4.25 | 4.25 | 4.25 | 5.25 |
| Environmental Programs (1) | - | - | - | - | 0.30 | 0.30 | 0.20 | 0.20 | 0.20 | 0.20 |
| Building (3) | - | - | - | - | - | - | - | - | - | 4.00 |
| Engineering | 13.00 | 13.00 | 13.00 | 11.00 | 11.00 | 11.00 | 11.00 | 10.00 | 10.00 | 9.00 |
| Streets/Alley Maintenance | 4.83 | 4.83 | 4.83 | 4.83 | 4.83 | 4.83 | 5.83 | 5.83 | 5.00 | 5.00 |
| Facilities Operations | 8.84 | 8.84 | 8.84 | 7.84 | 7.00 | 5.00 | 6.00 | 6.00 | 6.00 | - |
| Water Distribution Maintenance | 12.07 | 11.92 | 11.42 | 11.42 | 10.84 | 9.84 | 10.59 | 10.59 | 10.00 | 9.50 |
| Sewer Collection Maintenance | 13.26 | 13.41 | 12.91 | 12.91 | 11.33 | 10.33 | 11.08 | 11.08 | 10.00 | 9.50 |
| Equipment Operations | 8.34 | 8.34 | 8.34 | 8.34 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Stormwater | 4.80 | 4.80 | 4.80 | 4.50 | 3.70 | 2.70 | 2.50 | 2.50 | 2.80 | 2.80 |
| Water Treatment | 3.30 | 3.30 | 3.30 | 3.90 | 3.75 | 5.25 | 4.25 | 4.25 | 5.00 | 5.00 |
| Wastewater Treatment | 16.85 | 17.00 | 17.50 | 17.40 | 17.25 | 15.75 | 15.75 | 14.75 | 14.75 | 14.75 |
| Development Services | | | | | | | | | | |
| Community Development | 6.00 | 6.00 | 6.00 | 6.00 | 4.50 | 4.50 | 5.00 | 6.00 | 6.00 | 12.00 |
| Redevelopment | 5.75 | 5.75 | 5.75 | 6.00 | 6.00 | 6.00 | 4.00 | 4.00 | - | - |
| Building (3) | 5.40 | 5.40 | 5.40 | 5.40 | 5.30 | 5.25 | 6.25 | 6.25 | 7.00 | - |
| Total | 269.72 | 282.38 | 281.33 | 275.78 | 271.44 | 269.39 | 272.56 | 271.76 | 275.46 | 234.04 |

(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, 2015
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Government | | | | | | | | | | |
| Council Agenda Items Considered | 414 | 345 | 420 | 342 | 229 | 453 | 432 | 280 | 229 | 281 |
| Ordinances Adopted | 13 | 5 | 19 | 11 | 11 | 13 | 16 | 13 | 16 | 16 |
| Resolutions Adopted | 78 | 52 | 64 | 68 | 73 | 76 | 54 | 44 | 66 | 66 |
| Finance | | | | | | | | | | |
| Business Licenses | 2,469 | 2,267 | 2,328 | 2,331 | 2,490 | 2,506 | 2,546 | 2,563 | 2,392 | 2,499 |
| Transit | | | | | | | | | | |
| Passengers | 286,807 | 286,684 | 290,252 | 269,991 | 263,933 | 253,839 | 265,591 | 251,497 | 257,226 | 257,226 |
| Revenue Service Miles | 298,880 | 310,031 | 318,295 | 306,888 | 265,509 | 253,972 | 226,502 | 236,406 | 203,601 | 203,601 |
| Police | | | | | | | | | | |
| Physical Arrests | 3,701 | 4,638 | 4,747 | 4,754 | 3,186 | 4,669 | 5,019 | 5,686 | 4,493 | 4,493 |
| Parking Violations | 2,588 | 2,252 | 8,292 | 5,191 | 2,268 | 4,572 | 4,107 | 4,347 | 4,290 | 4,290 |
| Traffic Violations | 3,206 | 4,947 | 4,069 | 6,955 | 5,423 | 4,508 | 4,899 | 3,541 | 5,639 | 5,639 |
| Engineering | | | | | | | | | | |
| Permits Issued (water, sewer, encroachment) | 292 | 259 | 235 | 188 | 175 | 168 | 193 | 215 | 201 | 228 |
| Public Works | | | | | | | | | | |
| Water Connections | 9,756 | 9,785 | 9,787 | 9,714 | 9,940 | 9,458 | 9,825 | 9,905 | 9,849 | 10,005 |
| Average Daily Consumption in Gallons | 3,285,088 | 3,333,499 | 3,310,200 | 3,304,753 | 3,402,438 | 3,313,307 | 3,205,389 | 3,330,260 | 3,163,115 | 3,163,115 |
| Wastewater Connections | 9,478 | 9,507 | 9,438 | 9,595 | 9,583 | 9,237 | 9,825 | 9,347 | 9,784 | 9,859 |
| Building | | | | | | | | | | |
| Permits Issued | 1,067 | 1,187 | 1,143 | 956 | 1,122 | 1,011 | 934 | 1,103 | 1,174 | 1,114 |
| Community Development | | | | | | | | | | |
| Permit Applications | 376 | 309 | 326 | 292 | 280 | 198 | 235 | 261 | 200 | 429 |
| Zone Reclassifications | 3 | 3 | 1 | - | 1 | 2 | 2 | - | 1 | 1 |
| Amendments to General Plan | - | 3 | 1 | 1 | 1 | 2 | - | 1 | 1 | - |
| Redevelopment/Successor Agency | | | | | | | | | | |
| Façade Improvement Loans | 4 | 1 | - | 5 | 2 | - | - | - | - | - |
| Housing Loans | 6 | 9 | 14 | 16 | 5 | 2 | - | - | - | - |
| Housing Rehabilitation Loans | 3 | 6 | 6 | 2 | 2 | 8 | 2 | 1 | - | - |

Sources: Various City Departments

City of Eureka, California
Capital Asset Statistics by Function/Program
June 30, 2015
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|---------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 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 | 26 |
| Engineering | | | | | | | | | | |
| Street Lights | 1,918 | 1,918 | 2,230 (1) | 2,230 | 2,230 | 2,154 | 2,155 | 2,155 | 2,230 | 2,230 |
| Traffic Signals - City | 25 | 25 | 25 | 25 | 25 | 26 | 26 | 26 | 26 | 26 |
| Traffic Signals - State | 26 | 26 | 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 | 242 | 245 | 245 | 245 | 245 | 245 |
| Parks | 13 | 13 | 13 | 13 | 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, 2015
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Revenues (1) | | | | | | | | | | |
| Service charges | \$ 4,122,784 | \$ 3,999,115 | \$ 4,180,577 | \$ 4,344,538 | \$ 4,491,800 | \$ 4,709,028 | \$ 5,268,768 | \$ 5,823,364 | \$ 6,993,204 | \$ 6,791,793 |
| Connection fees | 74,028 | 51,866 | 63,711 | 44,493 | 29,870 | 9,140 | 17,770 | 13,380 | 13,610 | 23,940 |
| Other operating revenues | | | | 58,267 | 232,169 | 460,540 | 352,364 | 83,889 | 91,185 | 5,086 |
| Investment income | 489,952 | 305,314 | 127,869 | 293,286 | 199,500 | 140,524 | 89,342 | 23,210 | 19,658 | 9,828 |
| Miscellaneous | 31,677 | 4,118 | 201,821 | 455,251 | 542,493 | 288,650 | 750,608 | 2,686,732 | 751,973 | 4,398,074 |
| Total revenues | \$ 4,718,441 | \$ 4,360,413 | \$ 4,573,978 | \$ 5,195,835 | \$ 5,495,832 | \$ 5,607,882 | \$ 6,478,852 | \$ 8,630,575 | \$ 7,869,630 | \$ 11,228,721 |
| Expenses (2) | 3,110,009 | 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 |
| System net revenues | \$ 1,608,432 | \$ 640,872 | \$ 754,925 | \$ 1,294,395 | \$ 1,328,619 | \$ 1,149,563 | \$ 2,256,477 | \$ 3,940,728 | \$ 3,482,425 | \$ 6,423,386 |
| Debt service | | | | | | | | | | |
| Wastewater Revenue Refunding Bonds Series 1998 | \$ 418,405 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| CSCDA Series 2003A Revenue Bonds | 301,161 | 231,987 | 304,798 | 266,129 | 265,169 | 266,931 | 262,240 | 263,291 | 260,171 | 260,764 |
| Wastewater Revenue Bonds, Series 2011 | | | | | | 164,828 | 774,213 | 1,038,740 | 1,036,106 | 1,037,856 |
| Total debt service | \$ 719,566 | \$ 231,987 | \$ 304,798 | \$ 266,129 | \$ 265,169 | \$ 431,759 | \$ 1,036,453 | \$ 1,302,031 | \$ 1,296,277 | \$ 1,298,620 |
| Debt service coverage ratio | 2.24 | 2.76 | 2.48 | 4.86 | 5.01 | 2.66 | 2.18 | 3.03 | 2.69 | 4.95 |

(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, 2015
Last Ten Fiscal Years

| User Type | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Single family residential | 7,888 | 7,508 | 7,716 | 7,655 | 7,784 | 7,525 | 7,884 | 7,596 | 7,922 | 7,952 |
| Multiple family residential | 719 | 707 | 703 | 778 | 744 | 702 | 734 | 696 | 753 | 776 |
| Commercial / Industrial | 1,118 | 1,042 | 1,020 | 1,162 | 1,055 | 1,010 | 1,078 | 1,055 | 1,109 | 1,131 |
| Total | <u>9,725</u> | <u>9,257</u> | <u>9,439</u> | <u>9,595</u> | <u>9,583</u> | <u>9,237</u> | <u>9,696</u> | <u>9,347</u> | <u>9,784</u> | <u>9,859</u> |

Source: City of Eureka financial records

**City of Eureka, California
Wastewater System
Service Charge Revenues by Class of User
June 30, 2015**

| <u>User Type</u> | <u>Year Revenue (1)</u> | <u>Percentage of Total Service Charge Revenue</u> |
|-----------------------------|-------------------------|---|
| Single family residential | \$ 3,273,644 | 48.2% |
| Multiple family residential | 916,892 | 13.5% |
| Commercial / Industrial | <u>2,601,257</u> | <u>38.3%</u> |
| Total | <u>\$ 6,791,793</u> | <u>100%</u> |

(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, 2015**

| <u>User (1)</u> | <u>Type of Business</u> | <u>Service Charge Revenue</u> | <u>Percentage of Annual Service Charge Revenue</u> |
|------------------------|-------------------------|-------------------------------|--|
| Pacific Seafood | Food Processing | \$ 348,128 | 5.13% |
| Red House Fandango LLC | Commercial | 77,644 | 1.14% |
| Lost Coast Brewery | Brewery | 70,961 | 1.04% |
| Mission Linen Supply | Laundry Service | 43,625 | 0.64% |
| Best Western Bayshore | Lodging Establishment | 28,556 | 0.42% |

(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, 2015
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues (1) | | | | | | | | | | |
| Service Charges | \$ 4,934,774 | \$ 5,105,843 | \$ 4,785,606 | \$ 5,204,095 | \$ 5,203,959 | \$ 5,498,292 | \$ 6,250,374 | \$ 6,621,231 | \$ 7,669,759 | \$ 7,574,535 |
| Connection Fees | 79,738 | 44,775 | 70,159 | 53,449 | 57,237 | 55,351 | 67,180 | 141,809 | 80,170 | 115,217 |
| Investment income | 98,277 | 253,697 | 283,530 | 316,492 | 184,899 | 75,659 | 75,739 | 37,012 | 7,443 | 1,519 |
| Miscellaneous | 564,804 | 129,737 | 220,245 | 2,024 | 1,094 | 8,554 | 12,136 | 17,067 | 4,562 | 24,905 |
| Total revenues | <u>5,677,593</u> | <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>7,716,176</u> |
| Expenses (2) | <u>2,836,519</u> | <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> |
| System net revenues | <u>\$ 2,841,074</u> | <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>\$ 2,617,600</u> |
| Parity Debt service | | | | | | | | | | |
| CSCDA Series 2000A Revenue Bonds | \$ 583,243 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| CSCDA Series 2002B Revenue Bonds | 334,339 | 253,843 | 235,395 | 223,840 | 235,045 | 257,054 | 257,863 | 254,418 | 254,286 | 253,868 |
| CSCDA Series 2005C Revenue Bonds | 272,920 | 598,923 | 659,893 | 651,397 | 647,287 | 652,162 | 646,395 | 619,060 | 616,983 | 614,109 |
| CSCDA Series 2006A Revenue Bonds | 19,517 | 130,232 | 119,666 | 120,343 | 123,465 | 124,083 | 119,611 | 117,856 | 120,984 | 118,956 |
| Water Revenue Bonds Series 2012 | - | - | - | - | - | - | 20,501 | 424,800 | 424,800 | 424,800 |
| Total debt service | <u>\$ 1,210,019</u> | <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> |
| Debt service coverage ratio | 2.35 | 2.36 | 2.33 | 2.42 | 1.65 | 1.50 | 2.15 | 1.61 | 1.73 | 1.85 |

(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, 2015

| User Type | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Single family residential | 7,764 | 7885 | 7,910 | 7,775 | 7,973 | 7,611 | 7,898 | 7,924 | 7,914 | 7,955 |
| Multiple family residential | 692 | 719 | 740 | 778 | 767 | 717 | 748 | 754 | 756 | 800 |
| Commercial / Industrial | 1,094 | 1124 | 1,137 | 1,041 | 1,169 | 1,099 | 1,148 | 1,227 | 1,179 | 1,250 |
| Total | 9,550 | 9,728 | 9,787 | 9,594 | 9,909 | 9,427 | 9,794 | 9,905 | 9,849 | 10,005 |

Source: City of Eureka financial records

**City of Eureka, California
Water System
Service Charge Revenues by Class of User
June 30, 2015**

| User Type | Year Revenue (1) | Percentage of Total Service Charge Revenue |
|-----------------------------|------------------|--|
| Single family residential | \$ 6,059,628 | 80% |
| Multiple family residential | 605,963 | 8% |
| Commercial / Industrial | 908,944 | 12% |
| Total | \$ 7,574,535 | 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, 2015**

| User (1) | Type of Business | Service Charge Revenue | Percentage of Annual Service Charge Revenue |
|------------------------|------------------|------------------------|---|
| Pacific Seafood | Food Processing | \$ 193,417 | 2.8% |
| Coast Seafoods Co | Food Processing | 28,024 | 0.4% |
| Lost Coast Brewery | Brewery | 24,781 | 0.4% |
| Red House Fandango LLC | Commercial | 24,007 | 0.3% |
| Mission Linen Supply | Laundry Service | 22,944 | 0.3% |

(1) Excludes non-profit and governmental employers

Source: City of Eureka financial records