

**CITY OF EUREKA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**CITY OF EUREKA  
ANNUAL FINANCIAL REPORT  
June 30, 2014**

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**CITY OF EUREKA  
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## **FINANCIAL SECTION**



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CERTIFIED PUBLIC ACCOUNTANTS

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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 information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2014, 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, 2014, 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**

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, Statement No. 66, Technical Correction-2012, Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. Our opinions are 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 and the schedule of funding progress – local employees' retirement system on pages 79 through 82 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, and the combining private purpose trust funds financial statements 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 31, 2015

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**CITY OF EUREKA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 6,333,163	\$ 4,480,405	\$ 10,813,568
Cash and investments with fiscal agents	180,000	12,632,489	12,812,489
Accounts receivable	4,605,209	8,856,353	13,461,562
Interest receivable	1,760,280	48,468	1,808,748
Prepaid items	26,915		26,915
Inventory		2,520	2,520
Notes and loans receivable	9,937,826		9,937,826
Internal balances	(2,218,124)	(808,569)	(3,026,693)
Land held for resale	524,368		524,368
Due from RDA Successor Agency	656,101	5,146,773	5,802,874
Net pension asset	1,683,798		1,683,798
Capital assets, not being depreciated	30,014,945	42,271,618	72,286,563
Capital assets, net of accumulated depreciation	42,844,578	52,028,689	94,873,267
<b>Total Assets</b>	<b>96,349,059</b>	<b>124,658,746</b>	<b>221,007,805</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding		390,480	390,480
<b>LIABILITIES</b>			
Accounts payable	2,499,417	2,292,328	4,791,745
Payroll and related liabilities	443,455	105,688	549,143
Deposits payable	84,602	258,467	343,069
Accrued interest payable	21,749	542,968	564,717
Claims and judgments payable	238,258		238,258
Unearned revenue		28,857	28,857
Noncurrent liabilities:			
Due within one year	2,743,050	1,823,660	4,566,710
Due in more than one year	7,296,463	39,361,951	46,658,414
<b>Total Liabilities</b>	<b>13,326,994</b>	<b>44,413,919</b>	<b>57,740,913</b>
<b>NET POSITION</b>			
Net investment in capital assets	71,899,224	66,465,352	138,364,576
Restricted for:			
Public safety	748,457		748,457
Streets and roads	616,015		616,015
Public health	69,735		69,735
Housing	15,005,246		15,005,246
Airport	63,073		63,073
Unrestricted	(5,379,685)	14,169,955	8,790,270
<b>Total Net Position</b>	<b>\$ 83,022,065</b>	<b>\$ 80,635,307</b>	<b>\$ 163,657,372</b>

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, 2014**

	<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	\$ 6,311,284	\$ 2,608,005	\$ 61,468	\$ -
Community development	1,188,687	162,464	218,993	
Public safety	18,128,007	986,573	1,097,842	
Public works	4,916,185	772,853	992,613	886,675
Parks and recreation	2,858,707	720,164		
Interest on long-term debt	62,527			
Total Governmental	<u>33,465,397</u>	<u>5,250,059</u>	<u>2,370,916</u>	<u>886,675</u>
Business-type activities:				
Water	6,685,292	7,887,408		
Wastewater	6,408,711	12,370,941		555,640
Harbor	1,080,001	1,084,221		
Building	1,006,132	863,099		
Transit	2,868,674	2,629,199		
Golf	15,292	25,582		
Total Business-type Activities	<u>18,064,102</u>	<u>24,860,450</u>		<u>555,640</u>
Total	<u>\$ 51,529,499</u>	<u>\$ 30,110,509</u>	<u>\$ 2,370,916</u>	<u>\$ 1,442,315</u>

General Revenues:

Property taxes  
Sales taxes  
Franchise fees  
Transient occupancy taxes  
Business license tax  
Investment earnings  
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position before Extraordinary Item

Extraordinary Item:

Loss on asset transfer to Successor Agency

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>
\$ (3,641,811)	\$ -	\$ (3,641,811)
(807,230)		(807,230)
(16,043,592)		(16,043,592)
(2,264,044)		(2,264,044)
(2,138,543)		(2,138,543)
(62,527)		(62,527)
<u>(24,957,747)</u>		<u>(24,957,747)</u>
	1,202,116	1,202,116
	6,517,870	6,517,870
	4,220	4,220
	(143,033)	(143,033)
	(239,475)	(239,475)
	<u>10,290</u>	<u>10,290</u>
	<u>7,351,988</u>	<u>7,351,988</u>
<u>(24,957,747)</u>	<u>7,351,988</u>	<u>(17,605,759)</u>
4,053,018	112,141	4,165,159
16,018,688		16,018,688
888,602		888,602
2,125,469		2,125,469
232,914		232,914
2,769	23,267	26,036
551,351		551,351
(11,440)	11,440	
<u>23,861,371</u>	<u>146,848</u>	<u>24,008,219</u>
(1,096,376)	7,498,836	6,402,460
	<u>(3,026,693)</u>	<u>(3,026,693)</u>
<u>(1,096,376)</u>	<u>4,472,143</u>	<u>3,375,767</u>
84,115,217	76,861,838	160,977,055
3,224	(698,674)	(695,450)
<u>84,118,441</u>	<u>76,163,164</u>	<u>160,281,605</u>
<u>\$ 83,022,065</u>	<u>\$ 80,635,307</u>	<u>\$ 163,657,372</u>

**CITY OF EUREKA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2014**

	<u>General</u>	<u>Successor Housing Authority</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 41,376	\$ 111,386	\$ 3,702,960
Cash and investments with fiscal agents	180,000		
Accounts receivable	4,344,277		251,629
Interest receivable	5,520		
Prepaid items	6,915		
Notes and loans receivable		8,029,783	1,908,043
Advances to RDA Successor Agency		656,101	
Advances to other funds			1,171
Land held for resale		524,368	
Total Assets	<u>\$ 4,578,088</u>	<u>\$ 9,321,638</u>	<u>\$ 5,863,803</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,601,526	\$ 5,199	\$ 318,224
Due to other funds			1,145,046
Deposits payable	84,527		75
Payroll and related liabilities	405,541	2,309	15,127
Advances from other funds	1,171		13,000
Total Liabilities	<u>2,092,765</u>	<u>7,508</u>	<u>1,491,472</u>
Deferred Inflows of Resources:			
Unavailable revenues	<u>424,132</u>	<u>8,029,783</u>	<u>2,163,573</u>
Fund Balances:			
Nonspendable:			
Prepaid expenditures	6,915		
Restricted		1,284,347	3,360,063
Unassigned	<u>2,054,276</u>		<u>(1,151,305)</u>
Total Fund Balances	<u>2,061,191</u>	<u>1,284,347</u>	<u>2,208,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,578,088</u>	<u>\$ 9,321,638</u>	<u>\$ 5,863,803</u>

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

Total  
Governmental  
Funds

---

\$ 3,855,722  
180,000  
4,595,906  
5,520  
6,915  
9,937,826  
656,101  
1,171  
524,368

---

\$ 19,763,529

---

\$ 1,924,949  
1,145,046  
84,602  
422,977  
14,171

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3,591,745

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10,617,488

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6,915  
4,644,410  
902,971

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5,554,296

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\$ 19,763,529

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**CITY OF EUREKA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

Fund balances of governmental funds \$ 5,554,296

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	\$ 155,400,862	
Less: accumulated depreciation	<u>(82,541,339)</u>	72,859,523

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. (21,749)

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	(1,525,179)	
PERS side fund	(7,374,035)	
Capital lease payable	<u>(1,140,299)</u>	(10,039,513)

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, and compensated absences payable, reported above in the amount of \$1,881,052, (\$171,444), and (\$50,070) respectively). 613,462

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. 10,617,488

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. 1,683,798

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

Interest receivable on loans receivable		<u>1,754,760</u>
---	--	------------------

Net position of governmental activities \$ 83,022,065

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, 2014**

	General	Successor Housing Authority	Other Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 20,390,227	\$ -	\$ -
Licenses, permits, and fees	955,930		59,478
Fines and penalties	222,416		238,611
Investment income	1,517	451	2,000
Intergovernmental	2,904,535		2,241,574
Charges for services	4,291,294	19,923	180,102
Other revenues	368,550	111,622	330,216
Total Revenues	<u>29,134,469</u>	<u>131,996</u>	<u>3,051,981</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,743,451		
Public safety	18,069,892		509,093
Public works	2,348,617		1,018,062
Community development	741,419	177,709	75,848
Culture and recreation	2,831,926		
Capital outlay	864,550		1,632,994
Debt service:			
Principal payments	307,031		22,649
Interest and fiscal charges	63,604		2,287
Total Expenditures	<u>28,970,490</u>	<u>177,709</u>	<u>3,260,933</u>
Excess of Revenues Over (Under) Expenditures	<u>163,979</u>	<u>(45,713)</u>	<u>(208,952)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(11,440)</u>		
Total Other Financing Sources (Uses)	<u>(11,440)</u>		
Net Changes in Fund Balances	152,539	(45,713)	(208,952)
Fund Balances, beginning of fiscal year	<u>1,908,652</u>	<u>1,330,060</u>	<u>2,417,710</u>
Fund Balances, end of fiscal year	<u>\$ 2,061,191</u>	<u>\$ 1,284,347</u>	<u>\$ 2,208,758</u>

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

Total  
Governmental  
Funds

\$ 20,390,227  
1,015,408  
461,027  
3,968  
5,146,109  
4,491,319  
810,388  

---

32,318,446

3,743,451  
18,578,985  
3,366,679  
994,976  
2,831,926  
2,497,544

329,680  
65,891

---

32,409,132

---

(90,686)

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(11,440)

---

(11,440)

(102,126)

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5,656,422

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\$ 5,554,296

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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, 2014**

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** \$ (102,126)

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	\$ 1,452,051	
Depreciation expense not reported in governmental funds	<u>(2,816,032)</u>	(1,363,981)

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		329,680
-----------------------------	--	---------

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	154,926	
Notes receivable	<u>(423,314)</u>	(268,388)

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	9,718	
PERS side fund	346,859	
Compensated absences	<u>(122,024)</u>	234,553

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.

142,978

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.

414,992

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. (included net capital assets and compensated absences in the amount of \$300,263, \$54,042 and (\$847) respectively)

(484,084)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ (1,096,376)

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, 2014**

<b>ASSETS</b>	Enterprise Funds		
	Water	Wastewater	Harbor
Current Assets:			
Cash and investments	\$ 1,398,799	\$ 2,856,892	\$ -
Cash and investments with fiscal agents	6,069,595	6,562,894	
Accounts receivable - net	1,026,623	5,409,428	33,236
Interest receivable		47,646	822
Prepaid items			
Inventory			
Due from other funds	4,851,320		
Total current assets	13,346,337	14,876,860	34,058
Noncurrent Assets:			
Advances to RDA Successor Agency	146,111	1,973,969	
Advances to other funds		25,748	
Total noncurrent assets	146,111	1,999,717	
Capital Assets:			
Nondepreciable			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	4,676,419	25,889,559	
Total nondepreciable capital assets	5,728,534	30,962,701	5,155,468
Depreciable			
Infrastructure	12,809,780	4,815,200	
Buildings	723,908	6,264,431	4,646,614
Improvements	5,004,225	19,985,018	10,588,465
Equipment	16,027,867	32,283,606	1,116,705
Total depreciable capital assets	34,565,780	63,348,255	16,351,784
Less accumulated depreciation	(13,392,593)	(41,907,918)	(8,103,000)
Net depreciable capital assets	21,173,187	21,440,337	8,248,784
Total capital assets, net	26,901,721	52,403,038	13,404,252
Total capital and noncurrent assets	27,047,832	54,402,755	13,404,252
Total Assets	40,394,169	69,279,615	13,438,310
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	390,480		

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	
\$ -	\$ -	\$ 224,714	\$ 4,480,405	\$ 2,477,441
807,381	1,579,685		12,632,489	9,303
			8,856,353	20,000
			48,468	
	2,520		2,520	
			4,851,320	
807,381	1,582,205	224,714	30,871,555	2,506,744
			2,120,080	
13,000			38,748	
13,000			2,158,828	
		418,075	11,698,800	
		6,840	30,572,818	
		424,915	42,271,618	
			17,624,980	
		50,244	11,685,197	429,246
		243,087	35,820,795	31,236
116,950	3,155,460		52,700,588	8,384,900
116,950	3,155,460	293,331	117,831,560	8,845,382
(70,724)	(2,082,544)	(246,092)	(65,802,871)	(6,964,330)
46,226	1,072,916	47,239	52,028,689	1,881,052
46,226	1,072,916	472,154	94,300,307	1,881,052
59,226	1,072,916	472,154	96,459,135	1,881,052
866,607	2,655,121	696,868	127,330,690	4,387,796
			390,480	

(Continued)

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2014  
 (Continued)**

<b>LIABILITIES</b>	Enterprise Funds		
	Water	Wastewater	Harbor
<b>Current Liabilities:</b>			
Accounts payable	\$ 495,866	\$ 1,726,891	\$ 26,891
Payroll and related liabilities	30,956	54,275	7,865
Deposits payable	226,861		31,606
Due to other funds			302,106
Unearned revenue	440		28,417
Accrued interest payable	239,687	222,529	80,752
Claims and judgments payable			
Loan payable, current portion			90,055
Bonds payable, current portion	550,000	415,000	105,000
Capital lease payable, current portion	313,869		
Compensated absences, current portion	120,307	145,878	16,803
Unamortized premium, current portion	16,705	5,344	
Total current liabilities	1,994,691	2,569,917	689,495
<b>Noncurrent Liabilities:</b>			
Capital lease payable	667,549		
Loan payable			1,781,659
Advances from other funds			25,748
Bonds payable	18,345,000	18,105,000	
Unamortized premium	267,127	195,616	
Total noncurrent liabilities	19,279,676	18,300,616	1,807,407
Total Liabilities	21,274,367	20,870,533	2,496,902
<b>NET POSITION</b>			
Net investment in capital assets	13,201,546	40,244,972	11,427,538
Unrestricted	6,308,736	8,164,110	(486,130)
Total Net Position (Deficit)	\$ 19,510,282	\$ 48,409,082	\$ 10,941,408

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	
\$ 15,027	\$ 25,394	\$ 2,259	\$ 2,292,328	\$ 574,468
12,560		32	105,688	20,478
			258,467	
1,036,487	1,307,603		2,646,196	1,060,078
			28,857	
			542,968	
				238,258
			90,055	
			1,070,000	
			313,869	55,566
44,449		250	327,687	50,070
			22,049	
<u>1,108,523</u>	<u>1,332,997</u>	<u>2,541</u>	<u>7,698,164</u>	<u>1,998,918</u>
			667,549	115,878
			1,781,659	
			25,748	
			36,450,000	
			462,743	
			<u>39,387,699</u>	<u>115,878</u>
<u>1,108,523</u>	<u>1,332,997</u>	<u>2,541</u>	<u>47,085,863</u>	<u>2,114,796</u>
46,226	1,072,916	472,154	66,465,352	1,881,052
(288,142)	249,208	222,173	14,169,955	391,948
<u>\$ (241,916)</u>	<u>\$ 1,322,124</u>	<u>\$ 694,327</u>	<u>\$ 80,635,307</u>	<u>\$ 2,273,000</u>

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 7,880,409	\$ 7,006,815	\$ 673,157
Other operating revenues	6,999	5,364,126	411,064
Intergovernmental			
Total Operating Revenues	<u>7,887,408</u>	<u>12,370,941</u>	<u>1,084,221</u>
Operating Expenses:			
Purchase of water	2,266,281		
Maintenance and operation	2,196,428	3,909,601	601,725
Administration	426,138	461,287	22,768
Insurance costs and claims	92,519	106,477	19,715
Depreciation	761,956	1,043,492	344,155
Total Operating Expenses	<u>5,743,322</u>	<u>5,520,857</u>	<u>988,363</u>
Operating Income (Loss)	<u>2,144,086</u>	<u>6,850,084</u>	<u>95,858</u>
Non-Operating Revenues (Expenses):			
Taxes			112,141
Investment income	5,007	15,457	3,269
Interest expense	(941,970)	(887,854)	(91,638)
Total Non-Operating Revenue (Expense)	<u>(936,963)</u>	<u>(872,397)</u>	<u>23,772</u>
Income (Loss) Before Transfers and Capital Contributions	<u>1,207,123</u>	<u>5,977,687</u>	<u>119,630</u>
Capital contributions		555,640	
Transfers in			11,440
Change in Net Position before extraordinary item	1,207,123	6,533,327	131,070
Extraordinary Item:			
Loss on transfer to Successor Agency	(345,177)	(2,681,516)	
Change in Net Position	<u>861,946</u>	<u>3,851,811</u>	<u>131,070</u>
Net Position (Deficit), beginning of fiscal year	19,110,524	44,749,216	10,810,338
Prior Period Adjustments	(462,188)	(191,945)	
Net Position (Deficit), beginning of fiscal year, restated	<u>18,648,336</u>	<u>44,557,271</u>	<u>10,810,338</u>
Net Position (Deficit), end of fiscal year	<u>\$ 19,510,282</u>	<u>\$ 48,409,082</u>	<u>\$ 10,941,408</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	
\$ 842,233	\$ 340,261	\$ 1,108	\$ 16,743,983	\$ 4,007,359
20,866		24,474	5,827,529	197,841
	2,288,938		2,288,938	
<u>863,099</u>	<u>2,629,199</u>	<u>25,582</u>	<u>24,860,450</u>	<u>4,205,200</u>
			2,266,281	
950,177	2,542,208	10,271	10,210,410	2,498,501
34,706		277	945,176	41,553
9,024	64,658	385	292,778	1,657,989
12,225	261,808	4,359	2,427,995	486,139
<u>1,006,132</u>	<u>2,868,674</u>	<u>15,292</u>	<u>16,142,640</u>	<u>4,684,182</u>
<u>(143,033)</u>	<u>(239,475)</u>	<u>10,290</u>	<u>8,717,810</u>	<u>(478,982)</u>
			112,141	
(647)		181	23,267	1,252
			(1,921,462)	(6,354)
<u>(647)</u>		<u>181</u>	<u>(1,786,054)</u>	<u>(5,102)</u>
<u>(143,680)</u>	<u>(239,475)</u>	<u>10,471</u>	<u>6,931,756</u>	<u>(484,084)</u>
			555,640	
			11,440	
<u>(143,680)</u>	<u>(239,475)</u>	<u>10,471</u>	<u>7,498,836</u>	<u>(484,084)</u>
			(3,026,693)	
<u>(143,680)</u>	<u>(239,475)</u>	<u>10,471</u>	<u>4,472,143</u>	<u>(484,084)</u>
(53,695)	1,561,599	683,856	76,861,838	2,753,860
(44,541)			(698,674)	3,224
<u>(98,236)</u>	<u>1,561,599</u>	<u>683,856</u>	<u>76,163,164</u>	<u>2,757,084</u>
<u>\$ (241,916)</u>	<u>\$ 1,322,124</u>	<u>\$ 694,327</u>	<u>\$ 80,635,307</u>	<u>\$ 2,273,000</u>

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Enterprise Funds			
	Water	Wastewater	Harbor	Building
Cash Flows from Operating Activities:				
Receipts from customers/interfund charges	\$ 7,468,206	\$ 9,419,788	\$ 1,211,487	\$ 675,780
Payments to suppliers and users	(3,214,474)	(1,085,030)	(218,057)	(388,958)
Payments to employees	(1,530,169)	(2,221,124)	(326,332)	(602,060)
Net Cash Provided (Used) by Operating Activities	<u>2,723,563</u>	<u>6,113,634</u>	<u>667,098</u>	<u>(315,238)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in			11,440	
Due to/from other funds	441,657	(408,812)	(418,768)	246,040
Taxes received			28,417	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>441,657</u>	<u>(408,812)</u>	<u>(378,911)</u>	<u>246,040</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisitions of capital assets	(3,522,063)	(9,529,554)	(11,440)	(19,000)
Capital grants received		555,640		
Interest paid	(935,542)	(896,279)	(91,649)	
Principal payments - long-term debt	(836,305)	(400,000)	(186,177)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,293,910)</u>	<u>(10,270,193)</u>	<u>(289,266)</u>	<u>(19,000)</u>
Cash Flows from Investing Activities:				
Interest received	13,967	14,239	1,079	88,198
Net Cash Provided (Used) by Investing Activities	<u>13,967</u>	<u>14,239</u>	<u>1,079</u>	<u>88,198</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,114,723)	(4,551,132)		
Cash and Cash Equivalents, July 1, 2013	<u>9,583,117</u>	<u>13,970,918</u>		
Cash and Cash Equivalents, June 30, 2014	<u>\$ 7,468,394</u>	<u>\$ 9,419,786</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position				
Cash and investments	\$ 1,398,799	\$ 2,856,892	\$ -	\$ -
Cash and investments with fiscal agents	<u>6,069,595</u>	<u>6,562,894</u>		
Total Cash and Cash Equivalents	<u>\$ 7,468,394</u>	<u>\$ 9,419,786</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds
Transit	Golf	Totals	
\$ 1,966,911	\$ 25,582	\$ 20,767,754	\$ 4,202,215
(2,586,576)	(3,376)	(7,496,471)	(2,989,790)
	(5,677)	(4,685,362)	(939,913)
<u>(619,665)</u>	<u>16,529</u>	<u>8,585,921</u>	<u>272,512</u>
		11,440	
619,665		479,782	801,047
		28,417	
<u>619,665</u>		<u>519,639</u>	<u>801,047</u>
		(13,082,057)	(557,692)
		555,640	
		(1,923,470)	(6,354)
		<u>(1,422,482)</u>	<u>(54,042)</u>
		(15,872,369)	(618,088)
	466	117,949	3,410
	466	117,949	3,410
	16,995	(6,648,860)	458,881
	<u>207,719</u>	<u>23,761,754</u>	<u>2,018,560</u>
<u>\$ -</u>	<u>\$ 224,714</u>	<u>\$ 17,112,894</u>	<u>\$ 2,477,441</u>
\$ -	\$ 224,714	\$ 4,480,405	\$ 2,477,441
		12,632,489	
<u>\$ -</u>	<u>\$ 224,714</u>	<u>\$ 17,112,894</u>	<u>\$ 2,477,441</u>

(Continued)

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
 (Continued)**

	Enterprise Funds			
	Water	Wastewater	Harbor	Building
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,144,086	\$ 6,850,084	\$ 95,858	\$ (143,033)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	761,956	1,043,492	344,155	12,225
(Increase) Decrease in Operating Assets:				
Accounts receivable	(432,497)	(2,777,776)	123,486	(187,319)
Prepaid expenses			100,000	
Inventory				
Increase (Decrease) in Operating Liabilities:				
Accounts payable	175,826	1,115,723	615	(12,451)
Deposits payable	12,874	(173,377)	3,780	
Unearned revenue	421			
Payroll and related liabilities	(1,626)	979	(691)	(451)
Claims and judgments payable				
Compensated absences	62,523	54,509	(105)	15,791
Net Cash Provided (Used) by Operating Activities	\$ 2,723,563	\$ 6,113,634	\$ 667,098	\$ (315,238)

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

Enterprise Funds			Governmental Activities - Internal Service Funds
Transit	Golf	Totals	
\$ (239,475)	\$ 10,290	\$ 8,717,810	\$ (478,982)
261,808	4,359	2,427,995	486,139
(662,288)		(3,936,394)	(2,985)
1,170		100,000	
		1,170	
19,120	2,098	1,300,931	258,000
		(156,723)	
		421	
	(66)	(1,855)	(2,429)
			11,922
	(152)	132,566	847
<u>\$ (619,665)</u>	<u>\$ 16,529</u>	<u>\$ 8,585,921</u>	<u>\$ 272,512</u>

**CITY OF EUREKA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2014**

	Agency Fund	Trust Funds	
		Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
	Trust Holding		
<b>ASSETS</b>			
Cash and investments	\$ 161,550	\$ 64,519	\$ 1,901,896
Cash and investments with Fiscal Agent, Restricted			1,071,684
Interest receivable			178
Notes receivable			6,000
Notes receivable - allowance			(6,000)
Other receivable			16,600
Land held for resale			4,488,678
Capital assets, not being depreciated			53,702
Capital assets, net of accumulated depreciation			2,011,484
<b>Total Assets</b>	<b>\$ 161,550</b>	<b>64,519</b>	<b>9,544,222</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred loss on refunding			141,869
<b>LIABILITIES</b>			
Accounts payable	\$ -	17,763	26,400
Payroll payable		6	812
Interest payable			205,262
Deposits payable	161,550		
Noncurrent Liabilities:			
Due within one year			1,371,473
Due in more than one year			24,845,991
<b>Total Liabilities</b>	<b>\$ 161,550</b>	<b>17,769</b>	<b>26,449,938</b>
<b>Net Position (Deficit)</b>			
Held in trust for pension benefits		46,750	
Unrestricted			(16,763,847)
<b>Total Net Position (Deficit)</b>		<b>\$ 46,750</b>	<b>\$ (16,763,847)</b>

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, 2014**

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 427,179	\$ -
Taxes		4,097,630
Investment income		2,515
Intergovernmental		73,398
Charges for services		2,859
	<u>427,179</u>	<u>4,176,402</u>
<b>DEDUCTIONS</b>		
Benefits	438,389	
Administration		290,864
Depreciation		57,713
Community development		697,739
Public safety		119,817
Interest expense		1,321,695
Pass-through payments		9,359
	<u>438,389</u>	<u>2,497,187</u>
Total Deductions	<u>438,389</u>	<u>2,497,187</u>
Net income (loss) before transfers	<u>(11,210)</u>	<u>1,679,215</u>
Transfers out		
Changes in net position before extraordinary item	(11,210)	1,679,215
<b>EXTRAORDINARY ITEM</b>		
Gain on asset transfer from City of Eureka		<u>3,026,693</u>
Change in net position	<u>(11,210)</u>	<u>4,705,908</u>
Net Position (Deficit) - beginning of fiscal year	57,960	(21,105,202)
Prior Period Adjustments		<u>(364,553)</u>
Net Position (Deficit) - beginning of fiscal year, restated	<u>57,960</u>	<u>(21,469,755)</u>
Net Position (Deficit) - end of fiscal year	<u>\$ 46,750</u>	<u>\$ (16,763,847)</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, 2014**

**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, 2014**

**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, 2014**

**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, 2014**

**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

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014**

**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, 2014**

**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 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.

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, risk management, and redevelopment administration 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, 2014**

**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, 2014**

**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, 2014 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 statutes 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**

The City reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

**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, 2014**

**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, 2014, no interest 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, 2014**

**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, 2014**

**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, 2014**

**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, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 65 - For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on the City's financial statements are explained in Note 19 – Prior Period Adjustments and Note 1D(5). Items previously reported as assets and liabilities are now reported as deferred inflows or outflows of resources. Bond issue costs are not reported as an asset.

Governmental Accounting Standards Board Statement No. 66 - For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67 - For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 70 - For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.**

The governmental funds balance sheet includes a reconciliation between fund balance of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. Each element of the reconciliation is explained in detail on the face of the statement.

**b. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Each element of the reconciliation is explained in detail on the face of the statement.

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

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

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**A. Budgetary information (Continued)**

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

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

**B. Excess of expenditures over appropriations**

There was an excess of expenditures over appropriations in the Parking Special Revenue Fund in the amount of \$10,820.

**C. Deficit fund equity/net position**

Major fund

The Building Enterprise fund had a deficit net position balance of \$241,916 as of June 30, 2014. 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, 2014 of \$171,104. 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, 2014 of \$980,201. 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, 2014 of \$1,448,022. The deficit is due to the City incurring costs in advance of receiving revenue.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 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	\$ 10,813,568	\$ 2,127,965	\$ 12,941,533
Cash and investments with fiscal agents	<u>12,812,489</u>	<u>1,071,684</u>	<u>13,884,173</u>
Total Cash and Investments	<u>\$ 23,626,057</u>	<u>\$ 3,199,649</u>	<u>\$ 26,825,706</u>

Cash and investments at June 30, 2014 consisted of the following:

Cash on hand	\$ 4,295
Deposits with financial institutions	634,754
Investments	<u>26,186,657</u>
Total Cash and Investments	<u>\$ 26,825,706</u>

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

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
Corporate Medium Term Notes	5 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

**B. Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

**C. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Money Market Funds	\$ 43,926	\$ 43,926	\$ -	\$ -	\$ -
Federal Agency Securities	1,017,549	314,004	320,877	382,668	-
State Investment Pool	8,479,229	8,479,229	-	-	-
Certificates of Deposit	1,526,493	-	1,526,493	-	-
Corporate Medium Term Notes	568,813	204,967	98,903	264,943	-
U.S. Treasury Notes	582,406	40,117	185,126	357,163	-
Asset Back Securities	84,068	-	-	84,068	-
Held by Bond Trustees:					
Money Market Funds	13,884,173	13,884,173	-	-	-
<b>Total</b>	<b>\$ 26,186,657</b>	<b>\$ 22,966,416</b>	<b>\$ 2,131,399</b>	<b>\$ 1,088,842</b>	<b>\$ -</b>

**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.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

**E. Disclosures Relating to Credit Risk (Continued)**

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Money Market Funds	\$ 43,926	N/A	\$ -	\$ 43,926	\$ -	\$ -	\$ -
Federal Agency Securities	1,017,549	N/A		1,017,549			
State Investment Pool	8,479,229	N/A					8,479,229
Certificates of Deposit	1,526,493	N/A					1,526,493
Corporate Medium Term Notes	568,813	N/A			245,484	323,329	
U.S. Treasury Notes	582,406	N/A	582,406				
Asset Back Securities	84,068	N/A		84,068			
Held by Bond Trustees:							
Money Market Funds	13,884,173	N/A		13,884,173			
<b>Total</b>	<b>\$ 26,186,657</b>		<b>\$ 582,406</b>	<b>\$ 15,029,716</b>	<b>\$ 245,484</b>	<b>\$ 323,329</b>	<b>\$ 10,005,722</b>

**F. Concentration of Credit Risk**

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

**G. Custodial Credit Risk**

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

As of June 30, 2014, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required by the California Government Code. As of June 30, 2014, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

G. Custodial Credit Risk (Continued)

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Securities	\$ 1,017,549
Corporate Medium Term Notes	568,813
U.S. Treasury Notes	582,406

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 5 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	\$ 4,344,277	\$ 5,520	\$ 4,349,797
Nonmajor Governmental Funds	251,629		251,629
Total - Governmental Funds	<u>\$ 4,595,906</u>	<u>\$ 5,520</u>	<u>\$ 4,601,426</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 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, 2014, the various components of unearned revenue are as follows:

Unearned Revenue/Deferred Inflows of Resources:

Governmental Funds:

General	\$ 424,132
Successor Housing Authority	8,029,783
Nonmajor Governmental Funds	<u>2,163,573</u>
Total Unearned Revenues	<u><u>\$ 10,617,488</u></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:

	Accounts	Accrued Interest	Totals
Enterprise Funds:			
Water	\$ 1,026,623	\$ -	\$ 1,026,623
Wastewater	5,409,428	47,646	5,457,074
Harbor	33,236	822	34,058
Building	807,381		807,381
Transit	<u>1,579,685</u>		<u>1,579,685</u>
Total - Enterprise Funds	<u><u>\$ 8,856,353</u></u>	<u><u>\$ 48,468</u></u>	<u><u>\$ 8,904,821</u></u>

Receivables of the Water and Wastewater funds are reported net of nominal uncollectible accounts in the amount of \$22,798 and \$12,680 respectively.

**Notes and Loans Receivable**

The following schedule summarizes notes and loans receivable as of June 30, 2014:

Successor Housing Authority Fund Notes Receivable	\$ 8,029,783
Housing Special Revenue Fund Loans Receivable	<u>1,908,043</u>
Total Notes Receivable, Governmental Funds	<u><u>\$ 9,937,826</u></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, 2014**

**NOTE 6 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, 2014 is as follows:

**A. Due to/ from other fund**

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Major Water Enterprise Fund	Nonmajor Habitat Acquisition and Restoration Special Revenue Fund	\$ 171,104
	Nonmajor Capital Improvements Special Revenue Fund	2,014
	Nonmajor Demolition Projects Special Revenue Fund	971,928
	Major Harbor Enterprise Fund	302,106
	Major Building Enterprise Fund	1,036,487
	Major Transit Enterprise Fund	1,307,603
	Risk Management Internal Service Fund	1,060,078
		<u>\$ 4,851,320</u>

**B. Advances to/from other funds**

During 1994-95 the General Fund borrowed \$199,930 from the Housing special revenue fund, for payment of a lease obligation. The City is repaying the advance over a twenty-year period with interest. The outstanding balance as of June 30, 2014 was \$1,171.

The Harbor fund borrowed \$53,408 in 2000 from the Wastewater fund to complete the Public Marina/Boat Basin Capital Project and is repaying this advance over a fifteen year period. The outstanding balance as of June 30, 2014 was \$25,748.

During the fiscal year 2010, the Demolition projects fund borrowed \$13,000 from the building fund to cover abatement work. The outstanding balance as of June 30, 2014 was \$13,000.

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Nonmajor Housing Fund	General Fund	\$ 1,171
Major Wastewater Enterprise Fund	Major Harbor Enterprise Fund	25,748
Major Building Enterprise Fund	Nonmajor Demolition Projects Fund	<u>13,000</u>
		<u>\$ 39,919</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**C. Interfund transfers**

Interfund transfers are made on a routine basis for project expenditures and interfund debt service payments.

Transfers In	Transfers Out	Amount
Major Harbor Enterprise Fund	General Fund	\$ 11,440

**NOTE 7 CAPITAL ASSETS**

A summary of changes in the Governmental Activities capital assets at June 30, 2014 is as follows:

	Balance at July 1, 2013	Prior Period Adjustments	Restated Balance at July 1, 2013	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2014
Capital assets, not being depreciated:							
Land	\$ 3,692,899	\$ -	\$ 3,692,899	\$ -	\$ -	\$ -	\$ 3,692,899
Infrastructure	23,922,864		23,922,864				23,922,864
Construction in progress	882,747		882,747	1,320,099		(40,459)	2,162,387
Artwork	236,795		236,795				236,795
Total capital assets, not being depreciated	28,735,305		28,735,305	1,320,099		(40,459)	30,014,945
Capital assets, being depreciated:							
Buildings	19,251,801		19,251,801	50,553		7,197	19,309,551
Improvements other than buildings	81,836,353		81,836,353	27,878		146,934	82,011,165
Machinery and equipment	15,526,834	285,887	15,812,721	611,213			16,423,934
Infrastructure	7,754,939		7,754,939			(113,672)	7,641,267
Total capital assets being depreciated	124,369,927	285,887	124,655,814	689,644		40,459	125,385,917
Less accumulated depreciation for:							
Buildings	(6,522,604)		(6,522,604)	(408,737)			(6,931,341)
Improvements other than buildings	(59,856,736)		(59,856,736)	(1,647,651)		(2,917)	(61,507,304)
Machinery and equipment	(10,886,834)	(57,177)	(10,944,011)	(916,012)			(11,860,023)
Infrastructure	(1,915,817)		(1,915,817)	(329,771)		2,917	(2,242,671)
Total accumulated depreciation	(79,181,991)	(57,177)	(79,239,168)	(3,302,171)			(82,541,339)
Total capital assets being depreciated, net	45,187,936	228,710	45,416,646	(2,612,527)		40,459	42,844,578
Governmental activities capital assets, net	\$ 73,923,241	\$ 228,710	\$ 74,151,951	\$ (1,292,428)	\$ -	\$ -	\$ 72,859,523

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 7 CAPITAL ASSETS (Continued)**

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

Governmental Activities:

General government	\$ 2,139,039
Public safety	231,607
Public works	445,386
Internal service funds	<u>486,139</u>

Total depreciation expense - governmental activities	<u><u>\$ 3,302,171</u></u>
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A summary of changes in the Business-type Activities capital assets at June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	21,138,662	12,929,621		(3,495,465)	30,572,818
Total capital assets, not being depreciated	<u>32,837,462</u>	<u>12,929,621</u>	<u></u>	<u>(3,495,465)</u>	<u>42,271,618</u>
Capital assets, being depreciated:					
Buildings	11,198,621	38,748		447,828	11,685,197
Improvements other than buildings	35,798,937	21,858			35,820,795
Machinery and equipment	52,229,259	91,830		379,499	52,700,588
Infrastructure	14,956,842			2,668,138	17,624,980
Total capital assets being depreciated	<u>114,183,659</u>	<u>152,436</u>	<u></u>	<u>3,495,465</u>	<u>117,831,560</u>
Less accumulated depreciation for:					
Buildings	(5,754,416)	(227,023)		239,286	(5,742,153)
Improvements other than buildings	(20,370,587)	(582,973)		9,765	(20,943,795)
Machinery and equipment	(34,788,886)	(1,227,555)		(249,051)	(36,265,492)
Infrastructure	(2,460,987)	(390,444)			(2,851,431)
Total accumulated depreciation	<u>(63,374,876)</u>	<u>(2,427,995)</u>	<u></u>	<u></u>	<u>(65,802,871)</u>
Total capital assets being depreciated, net	<u>50,808,783</u>	<u>(2,275,559)</u>	<u></u>	<u>3,495,465</u>	<u>52,028,689</u>
Business-type activities capital assets, net	<u>\$ 83,646,245</u>	<u>\$ 10,654,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,300,307</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 7 CAPITAL ASSETS (Continued)**

Depreciation was charged to business – type activities as follows:

Business-type Activities:

Water	\$ 761,956
Wastewater	1,043,492
Harbor	344,155
Building	12,225
Transit	261,808
Golf	4,359
Total depreciation expense - business-type activities	\$ 2,427,995

**NOTE 8 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, 2014 were \$305,051. From this same period, the contingent rentals totaled \$66,311.

**NOTE 9 LONG-TERM DEBT**

**A. Changes in long-term debt**

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Governmental Activities:						
Compensated Absences	\$ 1,402,308	\$ -	\$ 1,158,903	\$ (1,036,032)	\$ 1,525,179	\$ 1,525,179
PERS side fund	7,720,894		546,183	(893,042)	7,374,035	919,834
Capital Leases	1,298,535	225,486		(383,722)	1,140,299	298,037
Total	\$ 10,421,737	\$ 225,486	\$ 1,705,086	\$ (2,312,796)	\$ 10,039,513	\$ 2,743,050

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 LONG-TERM DEBT (Continued)**

**A. Changes in long-term debt (Continued)**

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
<b>Business-type Activities:</b>					
Series 2002B CSCDA Revenue Bonds	\$ 2,625,000	\$ -	\$ (125,000)	\$ 2,500,000	\$ 130,000
Series 2003A CSCDA Revenue Bonds	2,905,000		(130,000)	2,775,000	135,000
Series 2005C CSCDA Revenue Bonds	5,930,000		(355,000)	5,575,000	365,000
Series 2006A CSCDA Revenue Bonds	1,505,000		(55,000)	1,450,000	55,000
Wastewater Revenue Bonds Series 2011	16,015,000		(270,000)	15,745,000	280,000
Water Revenue Bonds Series 2012	9,370,000			9,370,000	
CA Muni Harbor Improvements Revenue Bonds	205,000		(100,000)	105,000	105,000
<b>Total Bonds Payable</b>	<b>38,555,000</b>		<b>(1,035,000)</b>	<b>37,520,000</b>	<b>1,070,000</b>
Bond Premium	506,841		(22,049)	484,792	22,049
Compensated Absences	195,121	253,490	(120,924)	327,687	327,687
Capital Lease	1,282,723		(301,305)	981,418	313,869
Intergovernmental Loan Payable	1,957,891		(86,177)	1,871,714	90,055
<b>Total</b>	<b>\$ 42,497,576</b>	<b>\$ 253,490</b>	<b>\$ (1,565,455)</b>	<b>\$ 41,185,611</b>	<b>\$ 1,823,660</b>

**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.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 LONG-TERM DEBT (Continued)**

**C. Capital Leases**

**Governmental activities**

During fiscal year 2005-06, the City entered into a capital lease for the purchase and furnishings of a fire truck, with a maximum value of \$425,000. The new lease also refunds the remaining portion of the old fire truck lease in the amount of \$77,241. The first payment on the new lease was made on July 15, 2008. During fiscal year 2014, the lease was fully paid.

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, 2014, the balance of this lease is \$285,142.

During fiscal year 2008-09, the City entered into a capital lease for parking meters, with a maximum value of \$107,266. During fiscal year 2014, the lease was fully paid.

During fiscal year 2012-13, the City entered into a capital lease for fire truck and roofing at the City Hall with a maximum value of \$782,479. As of June 30, 2014, the balance of this lease is \$683,713.

During fiscal year 2012-13, the City entered into a capital lease for network upgrade and VoIP phone system with a maximum value of \$285,887. As of June 30, 2014, the balance of this lease is \$171,444.

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, 2014, the total balance for all capital leases related to governmental activities is \$1,140,299.

**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, 2014, the balance of this lease is \$981,418.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 LONG-TERM DEBT (Continued)**

**C. Capital Leases (Continued)**

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
2015	\$ 341,507	\$ 354,794
2016	341,507	354,794
2017	189,944	354,795
2018	129,542	
2019	129,542	
2020	129,542	
Minimum lease payments	1,261,584	1,064,383
Less amount representing interest	(121,285)	(82,965)
Present value of minimum lease payments	<u>\$ 1,140,299</u>	<u>\$ 981,418</u>

**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, 2014 was \$1,871,714. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 90,055	\$ 84,227	\$ 174,282
2016	94,107	80,175	174,282
2017	98,342	75,940	174,282
2018	102,768	71,514	174,282
2019	107,392	66,890	174,282
2020-2024	613,950	257,461	871,411
2025-2029	765,100	106,318	871,418
	<u>\$ 1,871,714</u>	<u>\$ 742,525</u>	<u>\$ 2,614,239</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 LONG-TERM DEBT (Continued)**

**E. Revenue Bonds**

**Business-type activities**

The 1973 Municipal Harbor Improvement Bonds due in annual installments of \$35,000 to \$105,000 through July 1, 2014; interest at 6.75% were used to build a fish plant and dock facilities in Humboldt Bay, these bonds are payable exclusively from the revenues of an enterprise comprising the City's municipal harbor, 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, 2014 was \$105,000. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 105,000	\$ 3,544	\$ 108,544
	<u>\$ 105,000</u>	<u>\$ 3,544</u>	<u>\$ 108,544</u>

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, 2014 was \$2,500,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2015	\$ 130,000	\$ 123,868	\$ 253,868
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
2020-2024	895,000	354,821	1,249,821
2025-2028	900,000	97,125	997,125
Totals	<u>\$ 2,500,000</u>	<u>\$ 1,006,615</u>	<u>\$ 3,506,615</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 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, 2014 was \$2,775,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2015	\$ 135,000	\$ 125,763	\$ 260,763
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
2020-2024	900,000	396,503	1,296,503
2025-2029	1,150,000	141,315	1,291,315
Totals	<u>\$ 2,775,000</u>	<u>\$ 1,115,821</u>	<u>\$ 3,890,821</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, 2014 was \$5,575,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2015	\$ 365,000	\$ 249,109	\$ 614,109
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
2020-2024	2,445,000	606,625	3,051,625
2025-2026	1,155,000	58,375	1,213,375
Totals	<u>\$ 5,575,000</u>	<u>\$ 1,763,521</u>	<u>\$ 7,338,521</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 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, 2014 was \$1,450,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2015	\$ 55,000	\$ 63,957	\$ 118,957
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
2020-2024	365,000	229,274	594,274
2025-2029	460,000	129,589	589,589
2030-2032	330,000	22,727	352,727
Totals	<u>\$ 1,450,000</u>	<u>\$ 679,074</u>	<u>\$ 2,129,074</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, 2014 was \$15,745,000.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 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
2015	\$ 280,000	\$ 757,856	\$ 1,037,856
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
2020-2024	1,900,000	3,279,910	5,179,910
2025-2029	2,435,000	2,743,656	5,178,656
2030-2034	3,080,000	2,095,644	5,175,644
2035-2039	3,940,000	1,233,500	5,173,500
2040-2042	2,885,000	221,125	3,106,125
Totals	<u>\$ 15,745,000</u>	<u>\$ 13,247,478</u>	<u>\$ 28,992,478</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, 2014 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
2015	\$ -	\$ 424,800	\$ 424,800
2016		424,800	424,800
2017		424,800	424,800
2018		424,800	424,800
2019		424,800	424,800
2020-2024		2,124,000	2,124,000
2025-2029	370,000	2,115,600	2,485,600
2030-2034	2,365,000	1,797,650	4,162,650
2035-2039	3,360,000	1,136,850	4,496,850
2040-2043	3,275,000	305,250	3,580,250
Totals	<u>\$ 9,370,000</u>	<u>\$ 9,603,350</u>	<u>\$ 18,973,350</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 LONG-TERM DEBT (Continued)**

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Business-type				Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	Harbor Bonds	
2015	\$ 685,000	\$ 280,000	\$ -	\$ 105,000	\$ 1,070,000
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
2020-2024	4,605,000	1,900,000			6,505,000
2025-2029	3,665,000	2,435,000	370,000		6,470,000
2030-2034	330,000	3,080,000	2,365,000		5,775,000
2035-2039		3,940,000	3,360,000		7,300,000
2040-2043		2,885,000	3,275,000		6,160,000
	<u>\$ 12,300,000</u>	<u>\$ 15,745,000</u>	<u>\$ 9,370,000</u>	<u>\$ 105,000</u>	<u>\$ 37,520,000</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 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, 2014:

Governmental Funds	\$ 1,475,109
Internal Service Funds	<u>50,070</u>
Subtotal Governmental Activities	1,525,179
Business-type Funds	<u>327,687</u>
Total	<u>\$ 1,852,866</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 10 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 2013-14, 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 the 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, 2014**

**NOTE 10 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, 2014 (latest available):

Total Assets	\$ 18,191,772
Total Liabilities	15,648,280
Total Net Assets	2,543,492
Total Revenues	8,797,431
Total Expenses	9,480,853
Increase in Net Assets	(683,422)

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, 2014**

**NOTE 10 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 11 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, 2014 and June 30, 2013:

	General Liability Insurance	Worker's Compensation Insurance	Total
Accrued claims payable, June 30, 2012	\$ (109,259)	\$ (31,081)	\$ (140,340)
Provision for insured events payments	787,498	598,558	1,386,056
Payments made to public entity risk pool	(767,708)	(540,852)	(1,308,560)
Direct payments made by the City	(14,090)	(149,402)	(163,492)
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)

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 12 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, 2014, 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, 2014**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

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

**Contributions required and contributions made**

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

Funding Policy – Actuarial determined funding policy provides for recommended period employer contributions for a projected forty-year cash flow under a thirty-year funding policy. During the last 5 fiscal years, contributions were not made in accordance with actuarially determined requirements. During the fiscal year 2006-07, contributions from the General Fund were made to cover benefits on a “pay as you go” basis. No contributions were made during the fiscal year 2007-08. During the fiscal years 2009-10, 2010-11, and 2011-12, 2012-13, and 2013-14 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 2013-14 fiscal year was as follows:

Annual required contribution	\$ (42,325)
Interest on net pension obligation (asset)	(76,128)
Adjustments to annual required contribution	130,640
Annual pension cost	<u>12,187</u>
Contribution made	<u>(427,179)</u>
Increase (decrease) in net pension obligation (asset)	(414,992)
Net pension obligation (asset), beginning of fiscal year	<u>(1,268,806)</u>
 Net pension obligation (asset), end of fiscal year	 <u><u>\$ (1,683,798)</u></u>

The annual required contribution for the fiscal year 2013-14 was determined as part of the June 30, 2014, 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, 2014**

**NOTE 12 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, 2014 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)
2012	\$ (24,914)	100%	\$ (791,095)
2013	(11,512)	100%	(1,268,805)
2014	12,187	100%	(1,683,798)

**Funded Status — Most Recent Actuarial Valuation**

According to the Plan's June 30, 2014 actuarial valuation, total actuarial assets of \$46,751 represented 1.31% of the total actuarial accrued liabilities of \$3,565,386 as of June 30, 2014. Additionally, total unfunded actuarial liabilities were \$3,518,635 at June 30, 2014 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, 2014**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS)**

**Plan description**

The City of Eureka contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state statute and Ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**Annual Required Contribution**

The City is required to contribute at an actuarially determined rate; the current rate is 24.584% both for miscellaneous employees and miscellaneous employees subject to Public Employees' Pension Reform Act of 2013 (PEPRA), 41.134% for police employees and 12.25 for police employee subject to PEPRA, and 42.643% for fire employees, 21.30% for fire tier 1, and 12.25 for fire employee subject to PEPRA for the fiscal year ended June 30, 2014 of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,017,015, \$5,557,654, and \$5,211,028 respectively, and were equal to required contributions for each fiscal year.

**NOTE 13 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.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 13 DEFERRED COMPENSATION PLANS (Continued)**

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

**NOTE 14 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 15 SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, City management has reviewed all known events that have occurred after June 30, 2014, and through March 31, 2015, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

**NOTE 16 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 \$16,502,526 of restricted net position.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 16 NET POSITION AND FUND BALANCES (Continued)**

**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.

Fund Balances	General	Successor Housing Authority	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenditures	\$ 6,915	\$ -	\$ -	\$ 6,915
Total Nonspendable	<u>6,915</u>			<u>6,915</u>
<u>Restricted for:</u>				
Housing		1,284,347	2,028,313	3,312,660
Landscaping & lighting				
Law enforcement			734,110	734,110
Public health			69,735	69,735
Road improvements			464,832	464,832
Airport			63,073	63,073
Total Restricted		<u>1,284,347</u>	<u>3,360,063</u>	<u>4,644,410</u>
Unassigned:	<u>2,054,276</u>		<u>(1,151,305)</u>	<u>902,971</u>
Total Fund Balances	<u>\$ 2,061,191</u>	<u>\$ 1,284,347</u>	<u>\$ 2,208,758</u>	<u>\$ 5,554,296</u>

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

Capital Asset activity for the fiscal year ended June 30, 2014 was as follows:

**Private Purpose Trust**

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Construction in progress	\$ 243,635	\$ -	\$ (189,933)	\$ 53,702
Total capital assets, not being depreciated	<u>243,635</u>		<u>(189,933)</u>	<u>53,702</u>
Capital assets, being depreciated:				
Buildings	1,945,282			1,945,282
Machinery and equipment	<u>181,628</u>			<u>181,628</u>
Total capital assets being depreciated	<u>2,126,910</u>			<u>2,126,910</u>
Less accumulated depreciation for:				
Buildings	(48,632)	(48,632)		(97,264)
Machinery and equipment	<u>(9,081)</u>	<u>(9,081)</u>		<u>(18,162)</u>
Total accumulated depreciation	<u>(57,713)</u>	<u>(57,713)</u>		<u>(115,426)</u>
Total capital assets being depreciated, net	<u>2,069,197</u>	<u>(57,713)</u>		<u>2,011,484</u>
Capital assets, net	<u>\$ 2,312,832</u>	<u>\$ (57,713)</u>	<u>\$ (189,933)</u>	<u>\$ 2,065,186</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Revenue Bonds Payable					
2003 Tax Allocation Revenue Bonds	\$ 14,250,000	\$ -	\$ (1,040,000)	\$ 13,210,000	\$ 1,085,000
2010 Lease Revenue Bonds Series A	4,845,000		(120,000)	4,725,000	125,000
2010 Lease Revenue Bonds Series B	<u>4,190,000</u>		<u>(45,000)</u>	<u>4,145,000</u>	<u>50,000</u>
Total Bonds Payable	<u>23,285,000</u>		<u>(1,205,000)</u>	<u>22,080,000</u>	<u>1,260,000</u>
Bond Discount	<u>(110,788)</u>		4,144	<u>(106,644)</u>	<u>(4,144)</u>
Advance payable to City	<u>5,802,874</u>		<u>(3,026,693)</u>	<u>2,776,181</u>	
California Infrastructure Bank Loan	<u>1,580,463</u>		<u>(112,536)</u>	<u>1,467,927</u>	<u>115,617</u>
Total	<u>\$ 30,557,549</u>	<u>\$ -</u>	<u>\$ (4,340,085)</u>	<u>\$ 26,217,464</u>	<u>\$ 1,371,473</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Revenue Bonds**

2003 Tax Allocation Revenue Refunding Bonds, issued by Eureka Public Financing Authority (Authority), in the amount of \$15,250,000. The bond issue consisted of the following: \$15,250,000 serial bonds carrying interest rates of 4.00% to 4.80% and maturing in annual increments of \$1,000,000 to \$1,600,000 with maturity dates of November 1 each year from 2012 through 2023. The outstanding balance as of June 30, 2014 was \$13,210,000.

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
2015	\$ 1,085,000	\$ 575,042	\$ 1,660,042
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
2020-2023	<u>7,320,000</u>	<u>899,520</u>	<u>8,219,520</u>
	<u>\$ 13,210,000</u>	<u>\$ 3,280,199</u>	<u>\$ 16,490,199</u>

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

The 2010 Lease Revenue Bonds, Series A (Taxable) were issued in the amount of \$4,960,000. The purpose of this issue was to pay off an advance owed to the City of Eureka's General Fund in the amount of \$3,584,373. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 5.5% to 8.0%. The bond issue matures in annual increments with maturity dates on November 1 of each year from 2012 through 2032, the termination date of the Eureka Redevelopment Agency (Agency) at which time the remaining balance becomes due. The bonds were issued with \$89,468 discount. The outstanding balance as of June 30, 2014 was \$4,725,000.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Revenue Bonds (Continued)**

The 2010 Lease Revenue Bonds, Series B (Tax Exempt) were issued in the amount of \$4,235,000. The purpose of this issue was to finance the costs of certain public capital improvements within the Redevelopment project area to include improvements to the Boardwalk with the construction of the C Street Market Square and the Fishermen's Terminal Building. A portion of the proceeds will also be used to repay a note payable from the Eureka Redevelopment Agency to the City of Eureka Wastewater Fund. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 2.25% to 5.875%. The bond issue matures in annual increments with maturity dates on November 1 of each fiscal year from 2012 through 2037, the termination date of the agency, at which time the remaining balance becomes due. The outstanding balance as of June 30, 2014 was \$4,145,000.

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
2015	\$ 125,000	\$ 354,312	\$ 50,000	\$ 234,724	\$ 175,000	\$ 589,036
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
2020-2024	985,000	1,392,251	330,000	1,085,291	1,315,000	2,477,542
2025-2029	1,425,000	941,200	425,000	981,700	1,850,000	1,922,900
2030-2034	1,605,000	269,400	1,060,000	824,582	2,665,000	1,093,982
2035-2037			2,070,000	187,119	2,070,000	187,119
Totals	<u>\$ 4,725,000</u>	<u>\$ 4,288,825</u>	<u>\$ 4,145,000</u>	<u>\$ 4,232,527</u>	<u>\$ 8,870,000</u>	<u>\$ 8,521,352</u>

**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, 2014 was \$1,467,927.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Intergovernmental Loan (Continued)**

**California Infrastructure Bank Loan (I-Bank) (Continued)**

The following is the debt service schedule:

Fiscal Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 115,617	\$ 39,906	\$ 155,523
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
2020-2024	703,348	72,500	775,848
2025-2026	152,834	2,163	154,997
	<u>\$ 1,467,927</u>	<u>\$ 240,059</u>	<u>\$ 1,707,986</u>

**Advances to/from City of Eureka**

Due to the State SERAF payment requirement during fiscal year 2010, the Redevelopment Agency Debt Service Fund had insufficient cash to make the payment. Borrowing from the Redevelopment Low and Moderate Housing Special Revenue Fund was authorized by State SERAF legislation. The fund will repay the Housing Fund by June 2016. The outstanding balance as of June 30, 2014 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. In fiscal year 2013-14, the City retroactively recalculated interest using existing LAIF rates. As a result the balance of the advance was written down by \$345,177. The write down has been reported as an extraordinary item in fiscal year 13-14. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2014 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. In fiscal year 2013-14, the City retroactively recalculated interest using existing LAIF rates. As a result the balance of the advance was written down by \$2,681,516. The write down has been reported as an extraordinary item in fiscal year 13-14. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2014 was \$4,655,485.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 19 PRIOR PERIOD ADJUSTMENTS**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>			
Reason for adjustments					
Understatement of capital assets, net	\$ 228,710	\$ -			
(Overstatement) of interest receivable		(44,541)			
(Understatement) of capital lease payable	(225,486)				
Deferred charges due to implementation of GASB Statement No. 65		(654,133)			
	<u>\$ 3,224</u>	<u>\$ (698,674)</u>			
	<u>Proprietary Funds</u>				
	<u>Water Enterprise Fund</u>	<u>Wastewater Enterprise Fund</u>	<u>Building Enterprise Fund</u>		
Reason for adjustments					
Overstatement of interest receivable	\$ -	\$ -	\$ (44,541)		
Deferred charges due to implementation of GASB Statement No. 65	(462,188)	(191,945)			
	<u>\$ (462,188)</u>	<u>\$ (191,945)</u>	<u>\$ (44,541)</u>		
	<u>Proprietary Funds</u>				
	<u>Information Technology Operations Internal Service Fund</u>				
Reason for adjustments					
Understatement of capital assets, net	\$ 228,710				
(Understatement) of capital lease payable	(225,486)				
	<u>\$ 3,224</u>				
	<u>Private-Purpose Trust Fund</u>				
	<u>Successor Agency Capital Project Fund</u>				
Reason for adjustments					
Deferred charges due to implementation of GASB Statement No. 65	\$ (364,553)				
	<u>\$ (364,553)</u>				

**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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 20,016,700	\$ 20,016,700	\$ 20,390,227	\$ 373,527
Licenses, permits, and fees	931,200	931,200	955,930	24,730
Fines and penalties	234,200	234,200	222,416	(11,784)
Investment income	22,000	22,000	1,517	(20,483)
Intergovernmental	2,740,929	2,752,929	2,904,535	151,606
Charges for services	4,425,076	4,425,076	4,291,294	(133,782)
Other revenues	498,931	498,931	368,550	(130,381)
Total Revenues	<u>28,869,036</u>	<u>28,881,036</u>	<u>29,134,469</u>	<u>253,433</u>
<b>Expenditures:</b>				
General government-				
Council	121,214	121,214	110,978	10,236
Mayor	30,331	30,331	27,377	2,954
City Manager	347,677	347,677	231,428	116,249
City Clerk	250,168	250,168	253,520	(3,352)
Human Resources	500,395	500,395	497,397	2,998
Finance	675,064	675,064	709,182	(34,118)
City Attorney	482,280	517,478	428,690	88,788
Non-departmental	1,709,890	1,712,557	1,484,879	227,678
Public safety-				
Police	12,385,597	12,470,412	10,968,364	1,502,048
Fire	7,404,083	7,334,228	7,101,528	232,700
Public works-				
Engineering	318,459	318,459	496,986	(178,527)
Maintenance	1,554,810	1,585,506	1,851,631	(266,125)
Community development	1,025,967	1,025,967	741,419	284,548
Culture and recreation	3,159,843	3,148,714	2,831,926	316,788
Capital outlay	619,329	683,404	864,550	(181,146)
Debt service -				
Principal payments	216,391	216,391	307,031	(90,640)
Interest and fiscal charges	21,122	21,122	63,604	(42,482)
Total Expenditures	<u>30,822,620</u>	<u>30,959,087</u>	<u>28,970,490</u>	<u>1,988,597</u>
Excess of revenues over (under) expenditures	<u>(1,953,584)</u>	<u>(2,078,051)</u>	<u>163,979</u>	<u>2,242,030</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,620,000	1,620,000		(1,620,000)
Transfers out	<u>(216,690)</u>	<u>(216,690)</u>	<u>(11,440)</u>	<u>205,250</u>
Total Other Financing Sources (Uses)	<u>1,403,310</u>	<u>1,403,310</u>	<u>(11,440)</u>	<u>(1,414,750)</u>
Net changes in fund balance	(550,274)	(674,741)	152,539	827,280
Fund Balance, beginning of fiscal year	<u>1,908,652</u>	<u>1,908,652</u>	<u>1,908,652</u>	
Fund Balance, end of fiscal year	<u>\$ 1,358,378</u>	<u>\$ 1,233,911</u>	<u>\$ 2,061,191</u>	<u>\$ 827,280</u>

**CITY OF EUREKA**  
**SUCCESSOR HOUSING AUTHORITY SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 451	\$ 451
Charges for services			19,923	19,923
Other revenues			111,622	111,622
Total Revenues			131,996	131,996
<b>Expenditures:</b>				
Current:				
Community development	108,432	108,432	177,709	(69,277)
Total Expenditures	108,432	108,432	177,709	(69,277)
Net Changes in Fund Balances	(108,432)	(108,432)	(45,713)	62,719
Fund Balance, beginning of fiscal year	1,330,060	1,330,060	1,330,060	
Fund Balance, end of fiscal year	\$ 1,221,628	\$ 1,221,628	\$ 1,284,347	\$ 62,719

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014**

**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

\* Actuarial review and update based on the June 30, 2014 actuarial valuation date.

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014**

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

**Schedule of Employer Contributions**

Annual Required Contribution	Percentage Contributed
\$ 590,693	85%
590,693	69%
616,275	69%
616,275	24%
556,724	90%
556,724	90%
607,686	68%
607,686	74%
571,992	74%
(121,420)	100%
(163,025)	100%
(121,366)	100%
(88,525)	100%
(31,650)	100%
8,496	100%
12,791	100%
(24,914)	100%
(45,499)	100%
(42,325)	100%

Information as of the latest actuarial valuation follows:

Valuation date	July 1, 2014 (June 30, 2014)
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%

**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.

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## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### SPECIAL REVENUE FUNDS (CONTINUED)

- **Housing Fund** – This fund is used to account 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.

**CITY OF EUREKA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
<b>Assets</b>					
Cash and investments	\$ 806,738	\$ -	\$ 70,463	\$ 418,296	\$ 31,100
Accounts receivable	85,712	90,000		50,348	
Notes and loans receivable					
Advances to other funds					
<b>Total Assets</b>	<u>\$ 892,450</u>	<u>\$ 90,000</u>	<u>\$ 70,463</u>	<u>\$ 468,644</u>	<u>\$ 31,100</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 273,563	\$ -	\$ 741	\$ 19,384	\$ 6,872
Due to other funds		171,104			
Deposits payable					
Payroll and related liabilities	7,426		(13)	4,827	2,453
Advances from other funds					
<b>Total Liabilities</b>	<u>280,989</u>	<u>171,104</u>	<u>728</u>	<u>24,211</u>	<u>9,325</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues	<u>151,183</u>	<u>90,000</u>		<u>14,347</u>	
<b>Fund Balances:</b>					
Restricted	460,278		69,735	430,086	21,775
Unassigned		(171,104)			
<b>Total Fund Balances (Deficits)</b>	<u>460,278</u>	<u>(171,104)</u>	<u>69,735</u>	<u>430,086</u>	<u>21,775</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 892,450</u>	<u>\$ 90,000</u>	<u>\$ 70,463</u>	<u>\$ 468,644</u>	<u>\$ 31,100</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Housing	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 60,871	\$ 284,529	\$ 2,030,963	\$ 3,702,960
6,568	16,501	2,500		1,908,043	251,629
				1,171	1,908,043
<u>6,568</u>	<u>16,501</u>	<u>63,371</u>	<u>284,529</u>	<u>3,940,177</u>	<u>5,863,803</u>
\$ -	\$ 11,774	\$ 266	\$ 1,852	\$ 3,772	\$ 318,224
2,014	971,928				1,145,046
		32	428	75	75
	13,000			(26)	15,127
<u>2,014</u>	<u>996,702</u>	<u>298</u>	<u>2,280</u>	<u>3,821</u>	<u>1,491,472</u>
				1,908,043	2,163,573
4,554		63,073	282,249	2,028,313	3,360,063
	(980,201)				(1,151,305)
<u>4,554</u>	<u>(980,201)</u>	<u>63,073</u>	<u>282,249</u>	<u>2,028,313</u>	<u>2,208,758</u>
<u>\$ 6,568</u>	<u>\$ 16,501</u>	<u>\$ 63,371</u>	<u>\$ 284,529</u>	<u>\$ 3,940,177</u>	<u>\$ 5,863,803</u>

**CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
<b>REVENUES</b>					
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ 59,478
Fines and penalties				128,789	97,814
Investment income	714	(140)	7	(132)	44
Intergovernmental	1,610,347		131,729	460,088	
Charges for services	4,430			53,809	179
Other revenues	20,256				
<b>Total Revenues</b>	<u>1,635,747</u>	<u>(140)</u>	<u>131,736</u>	<u>642,554</u>	<u>157,515</u>
<b>EXPENDITURES</b>					
Current:					
Public safety				373,977	94,869
Public works	683,934	4,001	60,150		51,257
Community development					
Capital outlay	1,460,754			106,561	14,823
Debt service:					
Principal payments					22,649
Interest and fiscal charges					2,287
<b>Total Expenditures</b>	<u>2,144,688</u>	<u>4,001</u>	<u>60,150</u>	<u>480,538</u>	<u>185,885</u>
<b>Net Changes in Fund Balances</b>	(508,941)	(4,141)	71,586	162,016	(28,370)
Fund Balances (Deficits), beginning of fiscal year	969,219	(166,963)	(1,851)	268,070	50,145
Fund Balances (Deficits), end of fiscal year	<u>\$ 460,278</u>	<u>\$ (171,104)</u>	<u>\$ 69,735</u>	<u>\$ 430,086</u>	<u>\$ 21,775</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Housing	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,478
	12,008				238,611
878		132	187	1,188	2,000
		10,000		28,532	2,241,574
		1,108	120,576		180,102
	15,834	10,073		284,053	330,216
878	27,842	21,313	120,763	313,773	3,051,981
			40,247		509,093
	190,950	27,770			1,018,062
		50,856		75,848	75,848
					1,632,994
					22,649
					2,287
	190,950	78,626	40,247	75,848	3,260,933
878	(163,108)	(57,313)	80,516	237,925	(208,952)
3,676	(817,093)	120,386	201,733	1,790,388	2,417,710
\$ 4,554	\$ (980,201)	\$ 63,073	\$ 282,249	\$ 2,028,313	\$ 2,208,758

**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, 2014**

	Gas Tax / State Highway			Habitat Acquisition and Restoration		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income	3,300	714	(2,586)		(140)	(140)
Intergovernmental	2,808,876	1,610,347	(1,198,529)	256,000		(256,000)
Charges for services		4,430	4,430			
Other revenues	6,500	20,256	13,756			
<b>Total Revenues</b>	<b>2,818,676</b>	<b>1,635,747</b>	<b>(1,182,929)</b>	<b>256,000</b>	<b>(140)</b>	<b>(256,140)</b>
<b>Expenditures:</b>						
Current:						
Public safety						
Public works	599,595	683,934	(84,339)	263,880	4,001	259,879
Community development						
Capital outlay	3,198,670	1,460,754	1,737,916			
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>3,798,265</b>	<b>2,144,688</b>	<b>1,653,577</b>	<b>263,880</b>	<b>4,001</b>	<b>259,879</b>
Excess of Revenues Over (Under)						
Expenditures	(979,589)	(508,941)	470,648	(7,880)	(4,141)	3,739
<b>Other Financing Sources</b>						
<b>(Uses):</b>						
Transfers in						
<b>Total Other Financing Sources</b>						
<b>(Uses)</b>						
<b>Net Changes in Fund Balances</b>	<b>(979,589)</b>	<b>(508,941)</b>	<b>470,648</b>	<b>(7,880)</b>	<b>(4,141)</b>	<b>3,739</b>
Fund Balances (Deficits), beginning of fiscal year	969,219	969,219		(166,963)	(166,963)	
Fund Balances (Deficits), end of fiscal year	\$ (10,370)	\$ 460,278	\$ 470,648	\$ (174,843)	\$ (171,104)	\$ 3,739

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	\$ 59,478	\$ (6,652)
				128,789	128,789	108,000	97,814	(10,186)
50	7	(43)	300	(132)	(432)	870	44	(826)
95,000	131,729	36,729	329,842	460,088	130,246			
			52,000	53,809	1,809		179	179
95,050	131,736	36,686	382,142	642,554	260,412	175,000	157,515	(17,485)
			250,512	373,977	(123,465)	94,506	94,869	(363)
84,832	60,150	24,682				40,572	51,257	(10,685)
			785,371	106,561	678,810	15,000	14,823	177
						23,728	22,649	1,079
						1,259	2,287	(1,028)
84,832	60,150	24,682	1,035,883	480,538	555,345	175,065	185,885	(10,820)
10,218	71,586	61,368	(653,741)	162,016	815,757	(65)	(28,370)	(28,305)
			339,520		(339,520)			
			339,520		(339,520)			
10,218	71,586	61,368	(314,221)	162,016	476,237	(65)	(28,370)	(28,305)
(1,851)	(1,851)		268,070	268,070		50,145	50,145	
\$ 8,367	\$ 69,735	\$ 61,368	\$ (46,151)	\$ 430,086	\$ 476,237	\$ 50,080	\$ 21,775	\$ (28,305)

(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, 2014  
(Continued)**

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties					12,008	12,008
Investment income						
Intergovernmental		878	878			
Charges for services						
Other revenues				325,000	15,834	(309,166)
<b>Total Revenues</b>		<b>878</b>	<b>878</b>	<b>325,000</b>	<b>27,842</b>	<b>(297,158)</b>
<b>Expenditures:</b>						
Current:						
Public safety						
Public works				325,000	190,950	134,050
Community development						
Capital outlay	54,212		54,212			
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>54,212</b>		<b>54,212</b>	<b>325,000</b>	<b>190,950</b>	<b>134,050</b>
Excess of Revenues Over (Under) Expenditures	(54,212)	878	55,090		(163,108)	(163,108)
<b>Other Financing Sources (Uses):</b>						
Transfers in						
<b>Total Other Financing Sources (Uses)</b>						
<b>Net Changes in Fund Balances</b>	<b>(54,212)</b>	<b>878</b>	<b>55,090</b>		<b>(163,108)</b>	<b>(163,108)</b>
Fund Balances (Deficits), beginning of fiscal year	3,676	3,676		(817,093)	(817,093)	
Fund Balances (Deficits), end of fiscal year	<u>\$ (50,536)</u>	<u>\$ 4,554</u>	<u>\$ 55,090</u>	<u>\$ (817,093)</u>	<u>\$ (980,201)</u>	<u>\$ (163,108)</u>

Airport			Special Fire			Housing		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,300	132	(2,168)		187	187	10,000	1,188	(8,812)
10,000	10,000					1,610,211	28,532	(1,581,679)
	1,108	1,108	71,908	120,576	48,668			
11,000	10,073	(927)				155,000	284,053	129,053
23,300	21,313	(1,987)	71,908	120,763	48,855	1,775,211	313,773	(1,461,438)
83,446	27,770	55,676	94,853	40,247	54,606			
	50,856	(50,856)				2,713,253	75,848	2,637,405
83,446	78,626	4,820	94,853	40,247	54,606	2,713,253	75,848	2,637,405
(60,146)	(57,313)	2,833	(22,945)	80,516	103,461	(938,042)	237,925	1,175,967
(60,146)	(57,313)	2,833	(22,945)	80,516	103,461	(938,042)	237,925	1,175,967
120,386	120,386		201,733	201,733		1,790,388	1,790,388	
\$ 60,240	\$ 63,073	\$ 2,833	\$ 178,788	\$ 282,249	\$ 103,461	\$ 852,346	\$ 2,028,313	\$ 1,175,967

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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, 2014**

<b>ASSETS</b>	Equipment Operations	Risk Management	Information Technology Operations	Totals
Current assets:				
Cash and investments	\$ 2,085,795	\$ -	\$ 391,646	\$ 2,477,441
Accounts receivable - net		9,303		9,303
Prepaid expenses		20,000		20,000
Total current assets	<u>2,085,795</u>	<u>29,303</u>	<u>391,646</u>	<u>2,506,744</u>
Capital Assets:				
Depreciable				
Buildings	429,246			429,246
Improvements	31,236			31,236
Equipment	6,955,537		1,429,363	8,384,900
Total depreciable capital assets	7,416,019		1,429,363	8,845,382
Less accumulated depreciation	<u>(6,071,376)</u>		<u>(892,954)</u>	<u>(6,964,330)</u>
Total capital assets, net	<u>1,344,643</u>		<u>536,409</u>	<u>1,881,052</u>
Total Assets	<u>3,430,438</u>	<u>29,303</u>	<u>928,055</u>	<u>4,387,796</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	56,437	178,989	339,042	574,468
Due to other funds		1,060,078		1,060,078
Claims and judgments payable		238,258		238,258
Capital lease payable, current portion			55,566	55,566
Compensated absences	31,312		18,758	50,070
Payroll and related liabilities	12,495		7,983	20,478
Total current liabilities	<u>100,244</u>	<u>1,477,325</u>	<u>421,349</u>	<u>1,998,918</u>
Noncurrent Liabilities:				
Capital lease payable			115,878	115,878
Total noncurrent liabilities			<u>115,878</u>	<u>115,878</u>
Total liabilities	<u>100,244</u>	<u>1,477,325</u>	<u>537,227</u>	<u>2,114,796</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,344,643		536,409	1,881,052
Unrestricted	<u>1,985,551</u>	<u>(1,448,022)</u>	<u>(145,581)</u>	<u>391,948</u>
Total Net Position (Deficits)	<u>\$ 3,330,194</u>	<u>\$ (1,448,022)</u>	<u>\$ 390,828</u>	<u>\$ 2,273,000</u>

**CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Operating Revenues:				
Charges for services	\$ 2,001,837	\$ 929,957	\$ 1,075,565	\$ 4,007,359
Other operating revenues	129,107	57,534	11,200	197,841
Total Operating Revenues	<u>2,130,944</u>	<u>987,491</u>	<u>1,086,765</u>	<u>4,205,200</u>
Operating Expenses:				
Maintenance and operation	1,380,214	169,146	949,141	2,498,501
Administration	41,553			41,553
Insurance costs and claims	34,140	1,623,849		1,657,989
Depreciation	409,925		76,214	486,139
Total Expenses	<u>1,865,832</u>	<u>1,792,995</u>	<u>1,025,355</u>	<u>4,684,182</u>
Operating Income (Loss)	<u>265,112</u>	<u>(805,504)</u>	<u>61,410</u>	<u>(478,982)</u>
Non-Operating Revenues (Expenses)				
Investment income (loss)	1,319	(266)	199	1,252
Interest expense			(6,354)	(6,354)
Total Non-Operating Revenues/(Expenses)	<u>1,319</u>	<u>(266)</u>	<u>(6,155)</u>	<u>(5,102)</u>
Change in Net Position	<u>266,431</u>	<u>(805,770)</u>	<u>55,255</u>	<u>(484,084)</u>
Net Position (Deficits), beginning of fiscal year	3,063,763	(642,252)	332,349	2,753,860
Prior period adjustment			3,224	3,224
Net Position, beginning of fiscal year, restated	<u>3,063,763</u>	<u>(642,252)</u>	<u>335,573</u>	<u>2,757,084</u>
Net Position (Deficits), end of fiscal year	<u>\$ 3,330,194</u>	<u>\$ (1,448,022)</u>	<u>\$ 390,828</u>	<u>\$ 2,273,000</u>

**CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Equipment Operations	Risk Management	Information Technology Operations	Totals
Cash Flows from Operating Activities:				
Receipts from customers/interfund charges	\$ 2,130,944	\$ 984,506	\$ 1,086,765	\$ 4,202,215
Payments to suppliers and users	(913,905)	(1,784,879)	(291,006)	(2,989,790)
Payments to employees	(565,196)		(374,717)	(939,913)
Net Cash Provided (Used) by Operating Activities	<u>651,843</u>	<u>(800,373)</u>	<u>421,042</u>	<u>272,512</u>
Cash Flows from Non-capital Financing Activities:				
Due to/from other funds		801,047		801,047
Net Cash Provided by Non-capital Financing Activities		<u>801,047</u>		<u>801,047</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments - long-term debt			(54,042)	(54,042)
Interest paid			(6,354)	(6,354)
Acquisitions of capital assets	(236,779)		(320,913)	(557,692)
Net Cash Used by Capital and Related Financing Activities	<u>(236,779)</u>		<u>(381,309)</u>	<u>(618,088)</u>
Cash Flows from Investing Activities:				
Interest received (charged)	3,484	(674)	600	3,410
Net Cash Provided (Used) by Investing Activities	<u>3,484</u>	<u>(674)</u>	<u>600</u>	<u>3,410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	418,548		40,333	458,881
Cash and Cash Equivalents, July 1, 2013	<u>1,667,247</u>		<u>351,313</u>	<u>2,018,560</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 2,085,795</u>	<u>\$ -</u>	<u>\$ 391,646</u>	<u>\$ 2,477,441</u>
Cash and Investments on Combining Statement of Net Position	<u>\$ 2,085,795</u>	<u>\$ -</u>	<u>\$ 391,646</u>	<u>\$ 2,477,441</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 265,112	\$ (805,504)	\$ 61,410	\$ (478,982)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:				
Depreciation	409,925		76,214	486,139
(Increase) Decrease in Operating Assets:				
Accounts receivable		(2,985)		(2,985)
Increase (Decrease) in Operating Liabilities:				
Claims and judgments payable		11,922		11,922
Accounts payable	(15,377)	(3,806)	277,183	258,000
Compensated absences	(4,064)		4,911	847
Payroll and related liabilities	(3,753)		1,324	(2,429)
Net Cash Provided (Used) by Operating Activities	<u>\$ 651,843</u>	<u>\$ (800,373)</u>	<u>\$ 421,042</u>	<u>\$ 272,512</u>

## **FIDUCIARY FUNDS**

## FIDUCIARY FUNDS

Fiduciary fund 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 Fiduciary 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Capital Project
<b>Assets:</b>			
Cash and Investments	\$ 118,127	\$ -	\$ 68,304
Cash and Investments with Fiscal Agent, Restricted			292,745
Interest Receivable			
Notes Receivable			6,000
Notes Receivable - Allowance			(6,000)
Other Receivable			16,600
Land Held for Resale			4,488,678
Capital Assets, Not Being Depreciated			53,702
Capital Assets, Net of Accumulated Depreciation			2,011,484
Total Assets	<u>118,127</u>	<u>-</u>	<u>6,931,513</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding			
<b>Liabilities:</b>			
Accounts Payable			8,429
Payroll Payable			8
Interest Payable			
Noncurrent Liabilities:			
Due within One Year			
Due in More than One Year			
Total Liabilities			<u>8,437</u>
<b>Net Position:</b>			
Unrestricted	118,127		6,923,076
Total Net Position (Deficits)	<u>\$ 118,127</u>	<u>\$ -</u>	<u>\$ 6,923,076</u>

Successor Agency Debt Service	Totals
\$ 1,715,465	\$ 1,901,896
778,939	1,071,684
178	178
	6,000
	(6,000)
	16,600
	4,488,678
	53,702
	2,011,484
<u>2,494,582</u>	<u>9,544,222</u>
<u>141,869</u>	<u>141,869</u>
17,971	26,400
804	812
205,262	205,262
1,371,473	1,371,473
24,845,991	24,845,991
<u>26,441,501</u>	<u>26,449,938</u>
<u>(23,805,050)</u>	<u>(16,763,847)</u>
<u>\$ (23,805,050)</u>	<u>\$ (16,763,847)</u>

**CITY OF EUREKA  
PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Capital Project
<b>Additions:</b>			
Taxes	\$ -	\$ 179,250	\$ -
Investment income	146		39
Intergovernmental	73,398		
Charges for services	1,505		
Total Additions	<u>75,049</u>	<u>179,250</u>	<u>39</u>
<b>Deductions:</b>			
Administration			
Depreciation			57,713
Community development			236,675
Public safety	119,817		
Interest expense			
Pass-through payments			
Total Deductions	<u>119,817</u>	<u></u>	<u>294,388</u>
Change in Net Position before Transfers	(44,768)	179,250	(294,349)
Transfers in			
Transfers out		(24,194)	
Change in Net Position before Extraordinary Item	(44,768)	155,056	(294,349)
<b>Extraordinary Item:</b>			
Gain on asset transfers from City of Eureka			
Change in Net Position	(44,768)	155,056	(294,349)
Net Position (Deficits), beginning of fiscal year	162,895	(155,056)	7,217,425
Prior Period Adjustments			
Net Position (Deficits), beginning of fiscal year, restated	<u>162,895</u>	<u>(155,056)</u>	<u>7,217,425</u>
Net Position (Deficits), end of fiscal year	<u>\$ 118,127</u>	<u>\$ -</u>	<u>\$ 6,923,076</u>

Successor Agency Debt Service	Totals
\$ 3,918,380	\$ 4,097,630
2,330	2,515
1,354	73,398
<u>3,922,064</u>	<u>2,859</u>
	<u>4,176,402</u>
290,864	290,864
461,064	57,713
1,321,695	697,739
9,359	119,817
<u>2,082,982</u>	<u>1,321,695</u>
	<u>9,359</u>
	<u>2,497,187</u>
1,839,082	1,679,215
24,194	24,194
	<u>(24,194)</u>
1,863,276	1,679,215
<u>3,026,693</u>	<u>3,026,693</u>
<u>4,889,969</u>	<u>4,705,908</u>
(28,330,466)	(21,105,202)
(364,553)	(364,553)
<u>(28,695,019)</u>	<u>(21,469,755)</u>
<u>\$ (23,805,050)</u>	<u>\$ (16,763,847)</u>

**CITY OF EUREKA  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Trust Holding Fund</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 153,895	\$ 26,197	\$ 18,542	\$ 161,550
Total Assets	<u>\$ 153,895</u>	<u>\$ 26,197</u>	<u>\$ 18,542</u>	<u>\$ 161,550</u>
<u>Liabilities:</u>				
Accounts payable	\$ 150	\$ 260	\$ 410	\$ -
Deposits payable	153,745	25,937	18,132	161,550
Total Liabilities	<u>\$ 153,895</u>	<u>\$ 26,197</u>	<u>\$ 18,542</u>	<u>\$ 161,550</u>