

**CITY OF EUREKA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**CITY OF EUREKA  
ANNUAL FINANCIAL REPORT  
June 30, 2017**

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**CITY OF EUREKA  
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June 30, 2017**

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## FINANCIAL SECTION



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

## COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

## GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

## Independent Auditor's Report

Honorable Mayor and City Council  
City of Eureka  
Eureka, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2017, 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, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 85 through 87, the schedule of funding progress – local employees' retirement system on pages 88 and 89, Agent-Multiple Employer Defined Pension Plan: the schedule of changes in the net pension liability on page 90 and the schedule of pension contributions on page 91, and Cost Sharing Defined Pension Plan: the schedule of plan's proportionate share of net pension liability on page 92 and the schedule of pension contributions on page 93, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, the combining internal service funds financial statements, the agency fund statement, 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 May 17, 2018, 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  
May 17, 2018

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**CITY OF EUREKA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,016,837	\$ 7,071,732	\$ 16,088,569
Cash and investments with fiscal agents		5,312,872	5,312,872
Accounts receivable	8,005,196	5,977,506	13,982,702
Interest receivable	2,327,339		2,327,339
Prepaid items	62,820		62,820
Inventory		9,000	9,000
Notes and loans receivable	13,627,946		13,627,946
Internal balances	(2,958,586)	2,958,586	
Land held for resale	524,368	4,488,678	5,013,046
Due from RDA Successor Agency	656,101	1,203,898	1,859,999
Net pension asset	2,243,003		2,243,003
Capital assets, not being depreciated	31,457,294	24,647,543	56,104,837
Capital assets, net of accumulated depreciation	43,811,185	79,339,032	123,150,217
<b>Total Assets</b>	<b>108,773,503</b>	<b>131,008,847</b>	<b>239,782,350</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	8,714,071	2,251,990	10,966,061
Deferred loss on refunding		321,062	321,062
<b>Total Deferred Outflows of Resources</b>	<b>8,714,071</b>	<b>2,573,052</b>	<b>11,287,123</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>117,487,574</b>	<b>133,581,899</b>	<b>251,069,473</b>
<b>LIABILITIES</b>			
Accounts payable	2,637,863	2,473,237	5,111,100
Payroll and related liabilities	341,080	119,047	460,127
Deposits payable	61,995	387,699	449,694
Accrued interest payable	7,294	477,484	484,778
Claims and judgments payable	274,149		274,149
Unearned revenue		513	513
Noncurrent liabilities:			
Due within one year	1,422,091	1,500,379	2,922,470
Due in more than one year	36,804,277	49,112,283	85,916,560
<b>Total Liabilities</b>	<b>41,548,749</b>	<b>54,070,642</b>	<b>95,619,391</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	1,103,652	147,732	1,251,384
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>42,652,401</b>	<b>54,218,374</b>	<b>96,870,775</b>
<b>NET POSITION</b>			
Net investment in capital assets	74,901,988	72,881,591	147,783,579
Restricted for:			
Public safety	1,359,745		1,359,745
Streets and roads	1,754,743		1,754,743
Debt service		321,062	321,062
Public health	258,641		258,641
Housing	15,695,417		15,695,417
Unrestricted	(19,135,361)	6,160,872	(12,974,489)
<b>Total Net Position</b>	<b>\$ 74,835,173</b>	<b>\$ 79,363,525</b>	<b>\$ 154,198,698</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, 2017**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,747,519	\$ 2,917,099	\$ 122,074	\$ -
Community development	6,207,242	221,655	3,727,244	1,702,122
Public safety	17,516,552	564,832	611,676	
Public works	3,815,264	61,190	1,141,914	588,305
Parks and recreation	3,614,246	891,747		
Interest on long-term debt	14,085			
Total Governmental	<u>36,914,908</u>	<u>4,656,523</u>	<u>5,602,908</u>	<u>2,290,427</u>
Business-type activities:				
Water	7,613,290	7,902,375		
Wastewater	8,424,064	8,941,545		
Harbor	1,345,680	997,015		4,488,678
Building	1,048,366	1,272,432		
Transit	2,184,625	1,842,807		
Golf	10,657	104,025		
Total Business-type Activities	<u>20,626,682</u>	<u>21,060,199</u>		<u>4,488,678</u>
Total	<u>\$ 57,541,590</u>	<u>\$ 25,716,722</u>	<u>\$ 5,602,908</u>	<u>\$ 6,779,105</u>

General Revenues:

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

Total General Revenues

Change in Net Position

- Net Position - beginning of fiscal year
- Prior period adjustments
- Net Position - beginning of fiscal year, restated
- Net Position - end of fiscal year

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,708,346)	\$ -	\$ (2,708,346)
(556,221)		(556,221)
(16,340,044)		(16,340,044)
(2,023,855)		(2,023,855)
(2,722,499)		(2,722,499)
(14,085)		(14,085)
<u>(24,365,050)</u>		<u>(24,365,050)</u>
	289,085	289,085
	517,481	517,481
	4,140,013	4,140,013
	224,066	224,066
	(341,818)	(341,818)
	93,368	93,368
	<u>4,922,195</u>	<u>4,922,195</u>
<u>(24,365,050)</u>	<u>4,922,195</u>	<u>(19,442,855)</u>
4,276,095		4,276,095
17,454,204		17,454,204
1,266,249		1,266,249
12,181		12,181
2,978,019		2,978,019
269,381		269,381
5,321	62,578	67,899
3,741,548		3,741,548
<u>30,002,998</u>	<u>62,578</u>	<u>30,065,576</u>
<u>5,637,948</u>	<u>4,984,773</u>	<u>10,622,721</u>
69,197,225	74,424,142	143,621,367
	(45,390)	(45,390)
<u>69,197,225</u>	<u>74,378,752</u>	<u>143,575,977</u>
<u>\$ 74,835,173</u>	<u>\$ 79,363,525</u>	<u>\$ 154,198,698</u>

**CITY OF EUREKA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2017**

	General	Successor Housing Authority	Housing
<b>ASSETS</b>			
Cash and investments	\$ 2,499,484	\$ 1,159,336	\$ 185,549
Accounts receivable	4,625,021	1,555	1,081,263
Prepaid items	42,820		
Notes and loans receivable		7,376,411	6,251,535
Advances to RDA Successor Agency		656,101	
Land held for resale		524,368	
Total Assets	\$ 7,167,325	\$ 9,717,771	\$ 7,518,347
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 915,837	\$ 4,109	\$ 453,032
Due to other funds			
Deposits payable	56,645		90
Payroll and related liabilities	298,648	2,704	
Total Liabilities	1,271,130	6,813	453,122
Deferred Inflows of Resources:			
Unavailable revenues	356,719	7,376,411	7,332,301
Fund Balances:			
Nonspendable:			
Prepaid items	42,820		
Restricted		2,334,547	
Unassigned	5,496,656		(267,076)
Total Fund Balances	5,539,476	2,334,547	(267,076)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,167,325	\$ 9,717,771	\$ 7,518,347

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

Other Governmental Funds	Total Governmental Funds
\$ 1,619,246	\$ 5,463,615
2,286,429	7,994,268
	42,820
	13,627,946
	656,101
	524,368
<u>\$ 3,905,675</u>	<u>\$ 28,309,118</u>
\$ 994,959	\$ 2,367,937
2,564,540	2,564,540
5,260	61,995
9,182	310,534
<u>3,573,941</u>	<u>5,305,006</u>
<u>1,738,406</u>	<u>16,803,837</u>
	42,820
1,634,723	3,969,270
<u>(3,041,395)</u>	<u>2,188,185</u>
<u>(1,406,672)</u>	<u>6,200,275</u>
<u>\$ 3,905,675</u>	<u>\$ 28,309,118</u>

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CITY OF EUREKA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2017

Fund balances of governmental funds \$ 6,200,275

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	\$ 167,104,332	
Less: accumulated depreciation	<u>(91,835,853)</u>	75,268,479

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. (7,294)

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	(1,306,098)	
Net pension liability	(36,553,779)	
Capital lease payable	<u>(366,491)</u>	(38,226,368)

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, net pensions liability and compensated absences payable, reported above in the amount of \$1,480,524, (\$3,840,356), and (\$49,533), respectively). 2,615,483

In governmental funds, other long-term assets include notes and loan receivable, and accounts receivable which are not available to pay for current-period expenditures, and therefore, are offset by unavailable revenues. 16,803,837

Net pension asset is not a current financial resource. Therefore, it is not reported in the Governmental Funds Balance Sheet. This amount is to be amortized in accordance with GASB No.27. 2,243,003

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

Deferred inflows of resources relating to pensions	\$ (1,103,652)	
Deferred outflows of resources relating to pensions	<u>8,714,071</u>	
Net		7,610,419

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

Interest receivable on loans receivable		<u>2,327,339</u>
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Net position of governmental activities \$ 74,835,173

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, 2017**

	General	Successor Housing Authority	Housing
<b>REVENUES</b>			
Taxes	\$ 22,835,229	\$ -	\$ -
Licenses, permits, and fees	1,351,034		
Fines and penalties	139,486		
Intergovernmental	2,402,200	13,550	2,961,154
Charges for services	4,064,244		
Other revenues	865,000	695,157	16,540
	<u>31,657,193</u>	<u>708,707</u>	<u>2,977,694</u>
<b>EXPENDITURES</b>			
Current:			
General government	6,034,444		
Public safety	17,316,111		
Public works	1,065,686		
Community development	1,193,883	359,646	4,716,865
Culture and recreation	3,592,448		
Capital outlay	733,699		
Debt service:			
Principal payments	111,423		
Interest and fiscal charges	18,119		
	<u>30,065,813</u>	<u>359,646</u>	<u>4,716,865</u>
Excess of Revenues Over (Under) Expenditures	1,591,380	349,061	(1,739,171)
Fund Balances, beginning of fiscal year	<u>3,948,096</u>	<u>1,985,486</u>	<u>1,472,095</u>
Fund Balances, end of fiscal year	<u>\$ 5,539,476</u>	<u>\$ 2,334,547</u>	<u>\$ (267,076)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 22,835,229
41,400	1,392,434
183,357	322,843
2,296,793	7,673,697
18,650	4,082,894
197,417	1,774,114
<u>2,737,617</u>	<u>38,081,211</u>
	6,034,444
501,639	17,817,750
1,474,171	2,539,857
	6,270,394
	3,592,448
2,089,276	2,822,975
	111,423
	18,119
<u>4,065,086</u>	<u>39,207,410</u>
(1,327,469)	(1,126,199)
<u>(79,203)</u>	<u>7,326,474</u>
<u>\$ (1,406,672)</u>	<u>\$ 6,200,275</u>

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CITY OF EUREKA  
RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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** \$ (1,126,199)

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	\$ 2,575,798	
Depreciation expense not reported in governmental funds	(2,335,252)	
Capital assets contributed by third parties	<u>1,702,122</u>	1,942,668

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 sources 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		111,423
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Notes receivable issued are expenditures, and principal payments on notes receivable are a revenue in the governmental funds; however, in the government-wide statements, these transactions increase or decrease the notes receivable and accrue interest on notes receivable.

Interest receivable	205,332	
Notes receivable	<u>(39,760)</u>	165,572

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	5,691	
Compensated absences	<u>(102,495)</u>	(96,804)

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.

2,723,951

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

Pension costs		2,155,363
---------------	--	-----------

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.

(21,707)

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.

(216,319)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,637,948</b>
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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, 2017**

<b>ASSETS</b>	Enterprise Funds		
	Water	Wastewater	Harbor
Current Assets:			
Cash and investments	\$ 905,729	\$ 6,009,313	\$ -
Cash and investments with fiscal agents	4,269,351	1,043,521	
Accounts receivable - net	797,017	2,629,098	10,176
Prepaid items			
Inventory			
Land held for resale			4,488,678
Due from other funds	6,164,895		
Total current assets	12,136,992	9,681,932	4,498,854
Noncurrent Assets:			
Advances to RDA Successor Agency	101,885	1,102,013	
Total noncurrent assets	101,885	1,102,013	
Capital Assets:			
Nondepreciable			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	5,765,118	7,147,818	
Total nondepreciable capital assets	6,817,233	12,220,960	5,155,468
Depreciable			
Infrastructure	14,818,869	37,030,126	
Buildings	723,908	6,264,431	4,660,614
Improvements	5,017,863	20,009,504	10,588,465
Equipment	16,075,408	32,912,111	1,116,705
Total depreciable capital assets	36,636,048	96,216,172	16,365,784
Less accumulated depreciation	(15,902,317)	(45,406,812)	(9,095,526)
Net depreciable capital assets	20,733,731	50,809,360	7,270,258
Total capital assets, net	27,550,964	63,030,320	12,425,726
Total capital and noncurrent assets	27,652,849	64,132,333	12,425,726
Total Assets	39,789,841	73,814,265	16,924,580
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions related	765,457	1,112,845	164,379
Deferred loss on refunding	321,062		
Total deferred outflows of resources	1,086,519	1,112,845	164,379
Total Assets and Deferred Outflows of Resources	40,876,360	74,927,110	17,088,959

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	
\$ -	\$ -	\$ 156,690	\$ 7,071,732	\$ 3,553,222
			5,312,872	
1,224,268	1,316,947		5,977,506	10,928
	9,000		9,000	20,000
			4,488,678	
			6,164,895	
1,224,268	1,325,947	156,690	29,024,683	3,584,150
			1,203,898	
			1,203,898	
		418,075	11,698,800	
		35,807	12,948,743	199,586
		453,882	24,647,543	199,586
			51,848,995	
		191,159	11,840,112	446,620
		261,518	35,877,350	34,930
116,950	3,155,460		53,376,634	9,266,798
116,950	3,155,460	452,677	152,943,091	9,748,348
(103,563)	(2,830,731)	(265,110)	(73,604,059)	(8,467,410)
13,387	324,729	187,567	79,339,032	1,280,938
13,387	324,729	641,449	103,986,575	1,480,524
13,387	324,729	641,449	105,190,473	1,480,524
1,237,655	1,650,676	798,139	134,215,156	5,064,674
209,309			2,251,990	622,448
			321,062	
209,309			2,573,052	622,448
1,446,964	1,650,676	798,139	136,788,208	5,687,122

(Continued)

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2017  
 (Continued)**

<b>LIABILITIES</b>	Enterprise Funds		
	Water	Wastewater	Harbor
<b>Current Liabilities:</b>			
Accounts payable	\$ 454,585	\$ 1,943,653	\$ 21,513
Payroll and related liabilities	37,871	61,607	9,503
Deposits payable	353,082		34,617
Due to other funds			548,948
Unearned revenue	513		
Accrued interest payable	201,087	210,842	65,555
Claims and judgments payable			
Loan payable, current portion			102,768
Bonds payable, current portion	615,000	460,000	
Compensated absences, current portion	102,322	145,188	25,060
Unamortized premium, current portion	16,705	5,344	
Total current liabilities	1,781,165	2,826,634	807,964
<b>Noncurrent Liabilities:</b>			
Loan payable			1,486,442
Bonds payable	16,565,000	16,770,000	
Net pension liability	4,722,691	6,865,988	1,014,178
Unamortized premium	217,014	179,583	
Total noncurrent liabilities	21,504,705	23,815,571	2,500,620
Total Liabilities	23,285,870	26,642,205	3,308,584
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions related	50,215	73,003	10,783
Total deferred inflows of resources	50,215	73,003	10,783
Total Liabilities and Deferred Inflows of Resources	23,336,085	26,715,208	3,319,367
<b>NET POSITION</b>			
Net investment in capital assets	14,406,596	46,658,914	10,836,516
Restricted for debt service	321,062		
Unrestricted	2,812,617	1,552,988	2,933,076
Total Net Position (Deficit)	\$ 17,540,275	\$ 48,211,902	\$ 13,769,592

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	
\$ 17,612	\$ 35,874	\$ -	\$ 2,473,237	\$ 269,926
10,066			119,047	30,546
			387,699	
1,139,398	1,517,963		3,206,309	394,046
			513	
			477,484	274,149
			102,768	
			1,075,000	
27,992			300,562	49,533
			22,049	
<u>1,195,068</u>	<u>1,553,837</u>		<u>8,164,668</u>	<u>1,018,200</u>
			1,486,442	
1,291,387			33,335,000	
			13,894,244	3,840,356
			396,597	
<u>1,291,387</u>			<u>49,112,283</u>	<u>3,840,356</u>
<u>2,486,455</u>	<u>1,553,837</u>		<u>57,276,951</u>	<u>4,858,556</u>
13,731			147,732	40,834
<u>13,731</u>			<u>147,732</u>	<u>40,834</u>
<u>2,500,186</u>	<u>1,553,837</u>		<u>57,424,683</u>	<u>4,899,390</u>
13,387	324,729	641,449	72,881,591	1,480,524
			321,062	
(1,066,609)	(227,890)	156,690	6,160,872	(692,792)
<u>\$ (1,053,222)</u>	<u>\$ 96,839</u>	<u>\$ 798,139</u>	<u>\$ 79,363,525</u>	<u>\$ 787,732</u>

CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 7,876,223	\$ 6,720,267	\$ 772,733
Other operating revenues	26,152	2,221,278	
Intergovernmental			224,282
Total Operating Revenues	<u>7,902,375</u>	<u>8,941,545</u>	<u>997,015</u>
Operating Expenses:			
Purchase of water	2,766,662		
Maintenance and operation	2,353,942	5,614,477	893,844
Administration	750,503	542,567	36,042
Insurance costs and claims	102,884	97,618	14,163
Depreciation	838,761	1,327,063	329,748
Total Operating Expenses	<u>6,812,752</u>	<u>7,581,725</u>	<u>1,273,797</u>
Operating Income (Loss)	<u>1,089,623</u>	<u>1,359,820</u>	<u>(276,782)</u>
Non-Operating Revenues (Expenses):			
Investment income	30,819	31,759	
Interest expense	(800,538)	(842,339)	(71,883)
Total Non-Operating Revenue (Expense)	<u>(769,719)</u>	<u>(810,580)</u>	<u>(71,883)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>319,904</u>	<u>549,240</u>	<u>(348,665)</u>
Capital contributions			4,488,678
Transfers in	(4,902,759)	12,222,451	
Transfers out	4,902,759	(12,222,451)	
Change in Net Position	<u>319,904</u>	<u>549,240</u>	<u>4,140,013</u>
Net Position (Deficit), beginning of fiscal year	17,220,371	47,662,662	9,629,579
Prior Period Adjustments			
Net Position (Deficit), beginning of fiscal year, restated	<u>17,220,371</u>	<u>47,662,662</u>	<u>9,629,579</u>
Net Position (Deficit), end of fiscal year	<u>\$ 17,540,275</u>	<u>\$ 48,211,902</u>	<u>\$ 13,769,592</u>

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

Enterprise Funds				Governmental Activities- Internal Service Funds
Building	Transit	Golf	Totals	
\$ 1,260,724	\$ 343,429	\$ -	\$ 16,973,376	\$ 6,231,725
11,708	3,700	104,025	2,366,863	74,678
	1,495,678		1,719,960	
<u>1,272,432</u>	<u>1,842,807</u>	<u>104,025</u>	<u>21,060,199</u>	<u>6,306,403</u>
			2,766,662	
987,481	1,910,379		11,760,123	4,262,713
42,449		1,577	1,373,138	
10,912	49,000		274,577	1,746,901
7,524	225,246	9,080	2,737,422	511,451
<u>1,048,366</u>	<u>2,184,625</u>	<u>10,657</u>	<u>18,911,922</u>	<u>6,521,065</u>
<u>224,066</u>	<u>(341,818)</u>	<u>93,368</u>	<u>2,148,277</u>	<u>(214,662)</u>
			62,578	
			(1,714,760)	(1,657)
			(1,652,182)	(1,657)
<u>224,066</u>	<u>(341,818)</u>	<u>93,368</u>	<u>496,095</u>	<u>(216,319)</u>
			4,488,678	
			7,319,692	
			(7,319,692)	
<u>224,066</u>	<u>(341,818)</u>	<u>93,368</u>	<u>4,984,773</u>	<u>(216,319)</u>
(1,231,898)	438,657	704,771	74,424,142	1,004,051
(45,390)			(45,390)	
<u>(1,277,288)</u>	<u>438,657</u>	<u>704,771</u>	<u>74,378,752</u>	<u>1,004,051</u>
<u>\$ (1,053,222)</u>	<u>\$ 96,839</u>	<u>\$ 798,139</u>	<u>\$ 79,363,525</u>	<u>\$ 787,732</u>

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Enterprise Funds		
	Water	Wastewater	Harbor
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 7,910,779	\$ 6,983,830	\$ 998,027
Payments to suppliers and users	(4,259,110)	(2,392,661)	(605,764)
Payments to employees	(1,369,259)	(1,947,218)	(287,055)
Net Cash Provided (Used) by Operating Activities	<u>2,282,410</u>	<u>2,643,951</u>	<u>105,208</u>
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds	<u>(1,349,630)</u>	<u>416,221</u>	<u>83,075</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(1,349,630)</u>	<u>416,221</u>	<u>83,075</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets	(2,707,562)	(4,125,706)	(14,001)
Interest paid	(830,956)	(851,997)	(75,940)
Principal payments - long-term debt	(935,592)	(445,000)	(98,342)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,474,110)</u>	<u>(5,422,703)</u>	<u>(188,283)</u>
Cash Flows from Investing Activities:			
Interest received	<u>38,129</u>	<u>84,460</u>	<u></u>
Net Cash Provided (Used) by Investing Activities	<u>38,129</u>	<u>84,460</u>	<u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,503,201)	(2,278,071)	
Cash and Cash Equivalents, July 1, 2016	<u>8,678,281</u>	<u>9,330,905</u>	<u></u>
Cash and Cash Equivalents, June 30, 2017	<u>\$ 5,175,080</u>	<u>\$ 7,052,834</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 905,729	\$ 6,009,313	\$ -
Cash and investments with fiscal agents	<u>4,269,351</u>	<u>1,043,521</u>	<u></u>
Total Cash and Cash Equivalents	<u>\$ 5,175,080</u>	<u>\$ 7,052,834</u>	<u>\$ -</u>
Non-cash activities - capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,488,678</u>

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 1,498,655	\$ 950,233	\$ 104,025	\$ 18,445,549	\$ 6,305,435
(541,480)	(1,948,297)	(10,568)	(9,757,880)	(3,864,266)
(787,425)		(21,776)	(4,412,733)	(1,084,518)
169,750	(998,064)	71,681	4,274,936	1,356,651
(124,360)	998,064		23,370	(218,892)
(124,360)	998,064		23,370	(218,892)
(45,390)		(45,252)	(6,892,521)	(635,814)
			(1,804,283)	(1,657)
			(1,478,934)	(58,745)
(45,390)		(45,252)	(10,175,738)	(696,216)
			122,589	
			122,589	
		26,429	(5,754,843)	441,543
		130,261	18,139,447	3,111,679
\$ -	\$ -	\$ 156,690	\$ 12,384,604	\$ 3,553,222
\$ -	\$ -	\$ 156,690	\$ 7,071,732	\$ 3,553,222
			5,312,872	
\$ -	\$ -	\$ 156,690	\$ 12,384,604	\$ 3,553,222
\$ -	\$ -	\$ -	\$ 4,488,678	\$ -

(Continued)

CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Continued)

	Enterprise Funds		
	Water	Wastewater	Harbor
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,089,623	\$ 1,359,820	\$ (276,782)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	838,761	1,327,063	329,748
(Increase) Decrease in Operating Assets:			
Accounts receivable	(19,894)	(1,957,715)	(713)
Prepaid expenses			
Inventory			
Deferred outflows of resources - pension related	(495,246)	(720,748)	(105,280)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	94,664	1,500,740	(7,435)
Deposits payable	28,361		1,725
Unearned revenue	(63)		
Payroll and related liabilities	3,471	5,008	892
Deferred inflows of resources - pension related	(235,758)	(315,358)	(42,604)
Net pension liability	958,407	1,432,691	200,849
Claims and judgments payable			
Compensated absences	20,084	12,450	4,808
Net Cash Provided (Used) by Operating Activities	\$ 2,282,410	\$ 2,643,951	\$ 105,208

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	
\$ 224,066	\$ (341,818)	\$ 93,368	\$ 2,148,277	\$ (214,662)
7,524	225,246	9,080	2,737,422	511,451
226,223	(892,574)		(2,644,673)	(968)
(111,207)		1,192	(1,431,289)	(462,036)
(6,042)	11,082	(14,885)	1,578,124	(47,857)
			30,086	
			(63)	
(745)		(107)	8,519	8,354
(93,674)		(832)	(688,226)	(98,669)
(79,161)		(16,135)	2,496,651	1,638,630
				20,088
2,766			40,108	2,320
<u>\$ 169,750</u>	<u>\$ (998,064)</u>	<u>\$ 71,681</u>	<u>\$ 4,274,936</u>	<u>\$ 1,356,651</u>

CITY OF EUREKA  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 June 30, 2017

	Agency Fund	Trust Funds	
		Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
	Trust Holding		
<b>ASSETS</b>			
Cash and investments	\$ 168,350	\$ 50,287	\$ 1,864,592
Cash and investments with Fiscal Agent, Restricted			8,940
Capital assets, not being depreciated			53,702
Capital assets, net of accumulated depreciation			136,223
<b>Total Assets</b>	<u>\$ 168,350</u>	<u>50,287</u>	<u>2,063,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred loss on refunding			1,207,947
<b>LIABILITIES</b>			
Accounts payable	\$ -	1,847	2,155
Payroll payable		11,270	1,189
Interest payable			116,765
Deposits payable	168,350		
Unearned revenue			1,768,989
Noncurrent Liabilities:			
Due within one year			1,778,027
Due in more than one year			20,113,222
<b>Total Liabilities</b>	<u>\$ 168,350</u>	<u>13,117</u>	<u>23,780,347</u>
<b>Net Position (Deficit)</b>			
Held in trust for pension benefits		37,170	
Unrestricted			(20,508,943)
<b>Total Net Position (Deficit)</b>		<u>\$ 37,170</u>	<u>\$ (20,508,943)</u>

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

CITY OF EUREKA  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 For the Fiscal Year Ended June 30, 2017

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 400,109	\$ -
Taxes		3,538,027
Investment income		5,584
	400,109	3,543,611
DEDUCTIONS		
Benefits	361,237	
Administration		233,024
Depreciation		57,713
Community development		301,797
Public safety		48,363
Interest expense		1,479,970
Capital contributions to the City of Eureka		6,190,800
Pass-through payments		14,842
	361,237	8,326,509
Total Deductions		
	38,872	(4,782,898)
Change in net position		
Net Position (Deficit) - beginning of fiscal year	(1,702)	(15,726,045)
Net Position (Deficit) - end of fiscal year	\$ 37,170	\$ (20,508,943)

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, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**Blended Component Units**

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

*EUREKA PUBLIC FINANCING AUTHORITY*

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017**

**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, 2017

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

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

**Government-wide Financial Statements (Continued)**

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

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

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

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

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

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017

**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, 2017

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the government reports the following fund types:

**Governmental Fund Type**

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

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

Proprietary Fund Type

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

Fiduciary Fund Type

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

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

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

**Recognition of Interest Liability**

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

**Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

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

**1. Deposits and Investments**

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017

**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 expensed 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, 2017 are recorded as prepaid items.

**4. Restricted Assets**

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

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

**5. Deferred Outflow/Inflow of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources on the deferred loss on refunding of debt and pensions in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflow of resources deferred revenue on the fund financial statements and pensions in the statement of net position.

**6. Capital Assets**

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

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

**6. Capital Assets (Continued)**

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

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

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

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

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

**7. Compensated Absences**

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

**8. Long-Term Obligations**

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017

**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, 2017

**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, 2017

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

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

**11. Pensions**

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

**E. New Accounting Pronouncements**

**Pending Accounting Standards:**

Statement No. 75	" Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

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

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

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

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

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2017, the following funds reflected expenditures in excess of budgeted amounts:

<u>Major funds</u>	<u>Amount of Excess</u>
General Fund	
General government:	
Council	\$ 2,069
Non-departmental	800,679
General government:	
Fire	30,663
Housing Special Revenue Fund	2,100,439
<u>Non-major funds</u>	
Special Revenue Funds:	
Special Police	141,952
Parking	27,455
Demolition Projects	3,414

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

Major fund

The Housing fund had a deficit fund balance of \$267,076 as of June 30, 2017. The deficit is expected to be eliminated upon receipt of the grant revenues and reimbursements that were not recognized as a result of not meeting the availability criteria.

The Building Enterprise fund had a deficit net position balance of \$1,053,222 as of June 30, 2017. The deficit balance is due to elimination of a general fund subsidy. A ten-year payment plan has been implemented, with transfers from the general fund, to eliminate the deficit.

Nonmajor funds

Deficit fund balances exist in the Capital Improvements Special Revenue Fund of \$4,443, Parking Special Revenue Fund of \$83,100, Demolition Projects Special Revenue Fund of \$1,343,404, and Airport Special Revenue Fund of \$91,538. These deficits are expected to be eliminated upon receipt of the grant revenues and reimbursements that were not recognized as a result of not meeting the availability criteria and interfund transfers. Also, increased parking enforcement is expected to help reduce the deficit in the Parking Fund. A ten-year payment plan has been implemented, with transfers from the general fund, to eliminate the deficit in the Demolition Fund. A cost allocation adjustment will eliminate the deficit in the Airport Fund.

Internal Service fund

Deficit fund balances exist in the Risk Management Internal Service Fund of \$651,823, Information Technology Operations Internal Service Fund of \$129,445, and Facilities Operations Internal Service Fund of \$664,840. These deficits are due to the City incurring costs in advance of receiving revenue.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 16,088,569	\$ 2,083,229	\$ 18,171,798
Cash and investments with fiscal agents	5,312,872	8,940	5,321,812
Total Cash and Investments	<u>\$ 21,401,441</u>	<u>\$ 2,092,169</u>	<u>\$ 23,493,610</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

Cash and investments at June 30, 2017 consisted of the following:

Cash on hand	\$ 8,780
Deposits with financial institutions	7,187,978
Investments	<u>16,296,852</u>
 Total Cash and Investments	 <u>\$ 23,493,610</u>

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

The table below 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.

<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	\$65,000,000
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

**B. Investments Authorized by Debt Agreements**

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

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

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

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
State Investment Pool	\$ 10,686,510	\$ 10,686,510	\$ -	\$ -	\$ -
Certificates of Deposit	288,530	288,530			
Held by Bond Trustees:					
Money Market Mutual Funds	5,321,812	5,321,812			
<b>Total</b>	<b>\$ 16,296,852</b>	<b>\$ 16,296,852</b>	<b>\$ -</b>	<b>\$ -</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.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 10,686,510	N/A	\$ -	\$ -	\$ -	\$ -	\$ 10,686,510
Certificates of Deposit	288,530	N/A					288,530
Held by Bond Trustees:							
Money Market Mutual Funds	5,321,812	N/A					5,321,812
<b>Total</b>	<b>\$ 16,296,852</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,296,852</b>

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 3 CASH AND INVESTMENTS (Continued)**

F. Concentration of Credit Risk

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

G. Custodial Credit Risk

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

As of June 30, 2017, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2017, the City's investment in the following type was held by the same broker-dealer (Counterparty) that was used by the City to buy the security:

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

Fair Value Measurements:

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

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

The City pool investment has the following recurring fair value measurements as of June 30, 2017:

<u>Investment by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt securities				
Certificates of deposits	\$ 288,530	\$ 288,530		
Total Investments Measured at Fair Value	288,530	<u>\$ 288,530</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
LAIF	<u>10,686,510</u>			
Total Pooled Investments	<u>\$ 10,975,040</u>			

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

**NOTE 4 RECEIVABLES**

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

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Governmental Funds:			
General	\$ 4,625,021	\$ -	\$ 4,625,021
Housing Authority	1,081,263		1,081,263
Successor Housing Authority	1,555		1,555
Nonmajor Governmental Funds	<u>2,286,429</u>		<u>2,286,429</u>
Total - Governmental Funds	<u>\$ 7,994,268</u>	<u>\$ -</u>	<u>\$ 7,994,268</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 4 RECEIVABLES (Continued)**

Governmental funds report unavailable revenues in connection with receivables for revenues and notes and loans that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2017, the various components of unearned revenue are as follows:

Unearned Revenue/Deferred Inflows of Resources:

Governmental Funds:

General	\$ 356,719
Successor Housing Authority	7,376,411
Housing	7,332,301
Nonmajor Governmental Funds	<u>1,738,406</u>
Total Unearned Revenues	<u><u>\$ 16,803,837</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:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Enterprise Funds:			
Water	\$ 797,017	\$ -	\$ 797,017
Wastewater	2,629,098		2,629,098
Harbor	10,176		10,176
Building	1,224,268		1,224,268
Transit	<u>1,316,947</u>		<u>1,316,947</u>
Total - Enterprise Funds	<u><u>\$ 5,977,506</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,977,506</u></u>

Receivables of the Water and Wastewater funds are reported net of nominal uncollectible accounts in the amount of \$27,718 and \$13,283 respectively.

**Notes and Loans Receivable**

The following schedule summarizes notes and loans receivable as of June 30, 2017:

Successor Housing Authority Fund Notes Receivable	\$ 7,376,411
Housing Special Revenue Fund Loans Receivable	<u>6,251,535</u>
Total Notes Receivable, Governmental Funds	<u><u>\$ 13,627,946</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. As of June 30, 2017, the accrued interest balance of these notes and loans receivable is \$2,327,339.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash. The composition of interfund balances as of June 30, 2017 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 Gas Tax/State Highway Special Revenue Fund	\$ 1,028,397
	Nonmajor Parking Special Revenue Fund	77,591
	Nonmajor Capital Improvements Special Revenue Fund	8,743
	Nonmajor Demolition Projects Special Revenue Fund	1,364,410
	Nonmajor Airport Projects Special Revenue Fund	85,399
	Major Harbor Enterprise Fund	548,948
	Major Building Enterprise Fund	1,139,398
	Major Transit Enterprise Fund	1,517,963
	Risk Management Internal Service Fund	394,046
		<u>\$ 6,164,895</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 6 CAPITAL ASSETS**

A summary of changes in the Governmental Activities capital assets at June 30, 2017 is as follows:

	Balance at July 1, 2016	Additions	Reductions	Transfers / Adjustments	Transfers from the Successor Agency	Balance at June 30, 2017
Capital assets, not being depreciated:						
Land	\$ 3,692,899	\$ -	\$ -	\$ -	\$ -	\$ 3,692,899
Infrastructure	24,025,188					24,025,188
Construction in progress	2,045,883	2,753,657		(1,297,128)		3,502,412
Artwork	236,795					236,795
Total capital assets, not being depreciated	<u>30,000,765</u>	<u>2,753,657</u>		<u>(1,297,128)</u>		<u>31,457,294</u>
Capital assets, being depreciated:						
Buildings	19,721,413	17,374		10,915		19,749,702
Improvements other than buildings	85,745,194	3,694			1,945,282	87,694,170
Machinery and equipment	17,908,369	436,887				18,345,256
Infrastructure	8,571,697			1,286,213		9,857,910
Total capital assets being depreciated	<u>131,946,673</u>	<u>457,955</u>		<u>1,297,128</u>	<u>1,945,282</u>	<u>135,647,038</u>
Less accumulated depreciation for:						
Buildings	(7,762,228)	(424,046)				(8,186,274)
Improvements other than buildings	(64,313,543)	(1,139,489)			(243,160)	(65,696,192)
Machinery and equipment	(13,745,599)	(932,770)				(14,678,369)
Infrastructure	(2,924,620)	(350,398)				(3,275,018)
Total accumulated depreciation	<u>(88,745,990)</u>	<u>(2,846,703)</u>			<u>(243,160)</u>	<u>(91,835,853)</u>
Total capital assets being depreciated, net	<u>43,200,683</u>	<u>(2,388,748)</u>		<u>1,297,128</u>	<u>1,702,122</u>	<u>43,811,185</u>
Governmental activities capital assets, net	<u>\$ 73,201,448</u>	<u>\$ 364,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,702,122</u>	<u>\$ 75,268,479</u>

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

Governmental Activities:

General government	\$ 360,732
Public safety	548,761
Public works	1,234,107
Community development	280,488
Culture and recreation	422,615
	<u>2,846,703</u>
Total depreciation expense - governmental activities	<u>\$ 2,846,703</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 6 CAPITAL ASSETS (Continued)**

A summary of changes in the Business-type Activities capital assets at June 30, 2017 is as follows:

	Balance at July 1, 2016	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	38,019,229	6,610,159		(31,680,645)	12,948,743
Total capital assets, not being depreciated	<u>49,718,029</u>	<u>6,610,159</u>		<u>(31,680,645)</u>	<u>24,647,543</u>
Capital assets, being depreciated:					
Buildings	11,793,364	14,000		32,748	11,840,112
Improvements other than buildings	35,850,076	27,274			35,877,350
Machinery and equipment	53,135,546	241,088			53,376,634
Infrastructure	20,201,098			31,647,897	51,848,995
Total capital assets being depreciated	<u>120,980,084</u>	<u>282,362</u>		<u>31,680,645</u>	<u>152,943,091</u>
Less accumulated depreciation for:					
Buildings	(6,221,239)	(242,471)			(6,463,710)
Improvements other than buildings	(22,083,915)	(570,657)			(22,654,572)
Machinery and equipment	(38,763,027)	(1,233,829)			(39,996,856)
Infrastructure	(3,798,456)	(690,465)			(4,488,921)
Total accumulated depreciation	<u>(70,866,637)</u>	<u>(2,737,422)</u>			<u>(73,604,059)</u>
Total capital assets being depreciated, net	<u>50,113,447</u>	<u>(2,455,060)</u>		<u>31,680,645</u>	<u>79,339,032</u>
Business-type activities capital assets, net	<u>\$ 99,831,476</u>	<u>\$ 4,155,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,986,575</u>

Depreciation was charged to business – type activities as follows:

Business-type Activities:

Water	\$ 838,761
Wastewater	1,327,063
Harbor	329,748
Building	7,524
Transit	225,246
Golf	9,080
Total depreciation expense - business-type activities	<u>\$ 2,737,422</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 7 OPERATING LEASES**

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

The City leases (as lessor) various office facilities & buildings, hangar facilities, tidelands & docks, and the golf course under operating leases to various entities and individuals. Total revenues from these leases for fiscal year ending June 30, 2017 were \$376,515. From this same period, the contingent rentals totaled \$131,789.

**NOTE 8 LONG-TERM DEBT**

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

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 1,201,283	\$ 432,110	\$ (327,295)	\$ 1,306,098	\$ 1,306,098
Net Pension Liabilities	31,039,533	6,591,684	(1,077,438)	36,553,779	
Capital Leases	536,659		(170,168)	366,491	115,993
<b>Total</b>	<b>\$ 32,777,475</b>	<b>\$ 7,023,794</b>	<b>\$ (1,574,901)</b>	<b>\$ 38,226,368</b>	<b>\$ 1,422,091</b>

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
<b>Business-type Activities:</b>					
Series 2002B CSCDA Revenue Bonds	\$ 2,235,000	\$ -	\$ (140,000)	\$ 2,095,000	\$ 145,000
Series 2003A CSCDA Revenue Bonds	2,500,000		(145,000)	2,355,000	150,000
Series 2005C CSCDA Revenue Bonds	4,830,000		(395,000)	4,435,000	410,000
Series 2006A CSCDA Revenue Bonds	1,340,000		(60,000)	1,280,000	60,000
Wastewater Revenue Bonds Series 2011	15,175,000		(300,000)	14,875,000	310,000
Water Revenue Bonds Series 2012	9,370,000			9,370,000	
<b>Total Bonds Payable</b>	<b>35,450,000</b>		<b>(1,040,000)</b>	<b>34,410,000</b>	<b>1,075,000</b>
Bond Premium	440,695		(22,049)	418,646	22,049
Net Pension Liabilities	11,397,593	2,873,787	(377,136)	13,894,244	
Compensated Absences	260,454	129,154	(89,046)	300,562	300,562
Capital Lease	340,592		(340,592)		
Intergovernmental Loan Payable	1,687,552		(98,342)	1,589,210	102,768
<b>Total</b>	<b>\$ 49,576,886</b>	<b>\$ 3,002,941</b>	<b>\$ (1,967,165)</b>	<b>\$ 50,612,662</b>	<b>\$ 1,500,379</b>

CITY OF EUREKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8 LONG-TERM DEBT (Continued)**

**C. Capital Leases**

**Governmental activities**

During fiscal year 2012-13, the City entered into a capital lease for a fire truck and roofing at the City Hall with a maximum value of \$782,479. As of June 30, 2017, the balance of this lease is \$366,491.

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, 2017, the total balance for all capital leases related to governmental activities is \$366,491.

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

Fiscal Year Ending June 30,	Governmental Activities Amount
2018	\$ 129,542
2019	129,542
2020	129,542
Minimum lease payments	<u>388,626</u>
Less amount representing interest	<u>(22,135)</u>
Present value of minimum lease payments	<u>\$ 366,491</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT (Continued)**

**D. Intergovernmental Loan**

**Business-type activities**

On September 26, 1996, the City and Redevelopment Agency jointly entered into a loan and operation contract with the California Department of Boating and Waterways for the purpose of repairing and refurbishing the Eureka Boat Basin. The loan of \$2,750,000 is payable at 4.5% interest over 30 years. The outstanding balance as of June 30, 2017 was \$1,589,210. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 102,768	\$ 71,514	\$ 174,282
2019	107,392	66,890	174,282
2020	112,225	62,057	174,282
2021	117,275	57,007	174,282
2022	122,552	51,730	174,282
2023-2027	700,617	170,793	871,410
2028-2029	326,381	22,192	348,573
	<u>\$ 1,589,210</u>	<u>\$ 502,183</u>	<u>\$ 2,091,393</u>

**E. Revenue Bonds**

**Business-type activities**

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2002B principal amount of \$3,625,000, due in annual installments through April 1, 2028; interest rates at 4.00% to 5.25%. Proceeds were used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2017 was \$2,095,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2018	\$ 145,000	\$ 104,318	\$ 249,318
2019	155,000	96,518	251,518
2020	160,000	88,488	248,488
2021	170,000	80,238	250,238
2022	180,000	71,488	251,488
2023-2027	1,045,000	205,432	1,250,432
2028	240,000	6,300	246,300
Totals	<u>\$ 2,095,000</u>	<u>\$ 652,782</u>	<u>\$ 2,747,782</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT (Continued)**

**E. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

CSCDA Wastewater Revenue Bonds (Pooled Financing Program), Series 2003A principal amount of \$4,040,000 due in annual installments through April 1, 2029; interest rates at 2.00% to 5.25%. Proceeds were used to finance various Wastewater Utility projects. These bonds are payable exclusively from the revenues of the City's Wastewater Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2017 was \$2,355,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2018	\$ 150,000	\$ 110,500	\$ 260,500
2019	155,000	104,782	259,782
2020	160,000	97,676	257,676
2021	170,000	89,013	259,013
2022	180,000	79,825	259,825
2023-2027	1,050,000	247,790	1,297,790
2028-2029	490,000	23,514	513,514
Totals	<u>\$ 2,355,000</u>	<u>\$ 753,100</u>	<u>\$ 3,108,100</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, 2017 was \$4,435,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2018	\$ 410,000	\$ 204,995	\$ 614,995
2019	425,000	188,500	613,500
2020	440,000	169,000	609,000
2021	465,000	146,375	611,375
2022	490,000	122,500	612,500
2023-2027	2,205,000	227,125	2,432,125
Totals	<u>\$ 4,435,000</u>	<u>\$ 1,058,495</u>	<u>\$ 5,493,495</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT (Continued)**

**E. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2006A principal amount of \$1,795,000, due in annual installments through April 1, 2032; interest rates at 3.00% to 5.00%. Proceeds were used to finance various Water System Projects. The bonds are payable solely from the revenue of the City's Water Utilities and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2017 was \$1,280,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2018	\$ 60,000	\$ 57,268	\$ 117,268
2019	65,000	54,768	119,768
2020	65,000	52,128	117,128
2021	70,000	49,300	119,300
2022	75,000	46,219	121,219
2023-2027	420,000	172,628	592,628
2028-2032	525,000	61,315	586,315
Totals	<u>\$ 1,280,000</u>	<u>\$ 493,626</u>	<u>\$ 1,773,626</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, 2017 was \$14,875,000.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT (Continued)**

**E. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

Fiscal Year Ending June 30,	Wastewater Revenue Bonds Series 2011		
	Principal	Interest	Total
2018	\$ 310,000	\$ 723,081	\$ 1,033,081
2019	325,000	708,794	1,033,794
2020	340,000	692,982	1,032,982
2021	360,000	675,482	1,035,482
2022	380,000	656,982	1,036,982
2023-2027	2,210,000	2,971,910	5,181,910
2028-2032	2,805,000	2,372,604	5,177,604
2033-2037	3,565,000	1,608,375	5,173,375
2038-2042	4,580,000	595,500	5,175,500
Totals	<u>\$ 14,875,000</u>	<u>\$ 11,005,710</u>	<u>\$ 25,880,710</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, 2017 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
2018	\$ -	\$ 424,800	\$ 424,800
2019		424,800	424,800
2020		424,800	424,800
2021		424,800	424,800
2022		424,800	424,800
2023-2027		2,124,000	2,124,000
2028-2032	1,585,000	1,984,425	3,569,425
2033-2037	3,075,000	1,428,450	4,503,450
2038-2042	3,835,000	648,250	4,483,250
2043	875,000	39,650	914,650
Totals	<u>\$ 9,370,000</u>	<u>\$ 8,348,775</u>	<u>\$ 17,718,775</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 8 LONG-TERM DEBT (Continued)**

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Business-type			Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	
2018	\$ 765,000	\$ 310,000	\$ -	\$ 1,075,000
2019	800,000	325,000		1,125,000
2020	825,000	340,000		1,165,000
2021	875,000	360,000		1,235,000
2022	925,000	380,000		1,305,000
2023-2027	4,720,000	2,210,000		6,930,000
2028-2032	1,255,000	2,805,000	1,585,000	5,645,000
2033-2037		3,565,000	3,075,000	6,640,000
2038-2042		4,580,000	3,835,000	8,415,000
2043			875,000	875,000
	<u>\$ 10,165,000</u>	<u>\$ 14,875,000</u>	<u>\$ 9,370,000</u>	<u>\$ 34,410,000</u>

**F. Compensated Absences**

Employees may accumulate up to 30 days of vacation leave, except management employees, who may accumulate up to 44 days. Employees may accumulate an indefinite amount of sick leave. Vacation leave accrues at a rate determined by the employee's years of service and whether they work an 8-hour or 24-hour shift. The number of hours that accrue per month varies from 8 to 22. Vacation leave vests as it is accrued and unused vacation leave is payable upon retirement or termination. Compensation hours (executive leave) accrue for management and mid-management at 9 and 6 days per year, respectively. Compensation hours also accrue for police, fire and other specified employees in lieu of cash payments for overtime. A liability has been created to account for the accrued vacation and compensation leave in the government-wide financial statements. The City has, in the past, liquidated compensated leave in the general fund and all the proprietary funds. Vested vacation pay is expensed as earned in the proprietary fund types. The City's liability for earned vacation and compensation pay consisted of the following amounts as of June 30, 2017:

Governmental Funds	\$ 1,256,565
Internal Service Funds	<u>49,533</u>
Subtotal Governmental Activities	1,306,098
Business-type Funds	<u>300,562</u>
Total	<u>\$ 1,606,660</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 9 OTHER INFORMATION**

**A. Risk Management**

The City of Eureka is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City participates in a public entity risk pool for workers' compensation, general liability and property insurance coverage. During fiscal year 2016-17, there were no significant reductions in insurance coverage.

**B. Risk Pool Arrangements**

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

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

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

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

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Eureka self-insures for the first \$25,000 of each loss and pays 100% of all losses incurred under \$25,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity's deductible amount. Participating cities then share in the next \$25,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$39,500,000 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, 2017

**NOTE 9 OTHER INFORMATION (Continued)**

**B. Risk Pool Arrangements (Continued)**

Losses of \$10,000 to \$500,000 are prorated among all participating cities. Losses in excess of \$500,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

Property Insurance – The City participates in REMIF’s property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Eureka has a deductible level of \$10,000 and a coverage limit of \$300,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2017:

Total Assets	\$ 21,917,772
Total Deferred Outflows	851,545
Total Liabilities	26,887,778
Total Deferred Inflows	105,039
Total Net Position	(4,223,500)
Total Revenues	24,020,234
Total Expenses	25,618,977
Decrease in Net Position	(1,598,743)

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, 2017**

**NOTE 9 OTHER INFORMATION (Continued)**

**B. Risk Pool Arrangements (Continued)**

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

**NOTE 10 CLAIMS ADJUSTMENTS**

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

The following schedule presents changes in accrued claims payable for the fiscal years ended June 30, 2017 and June 30, 2016:

	<u>General Liability Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Total</u>
Accrued claims payable, June 30, 2015	<u>\$ (99,936)</u>	<u>\$ (90,221)</u>	<u>\$ (190,157)</u>
Provision for insured events payments	545,660	798,134	1,343,794
Payments made to public entity risk pool	(545,660)	(634,643)	(1,180,303)
Direct payments made by the City	<u>(47,907)</u>	<u>(179,488)</u>	<u>(227,395)</u>
Accrued claims payable, June 30, 2016	<u>\$ (147,843)</u>	<u>\$ (106,218)</u>	<u>\$ (254,061)</u>
Provision for insured events payments	805,627	534,744	1,340,371
Payments made to public entity risk pool	(610,839)	(515,252)	(1,126,091)
Direct payments made by the City	<u>(234,368)</u>	<u>(234,368)</u>	<u>(234,368)</u>
Accrued claims payable, June 30, 2017	<u>\$ (187,423)</u>	<u>\$ (86,726)</u>	<u>\$ (274,149)</u>

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

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

**Plan description**

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

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

LERS is included as part of the primary government of the City and is included in the City's financial statements as a fiduciary fund. As of June 30, 2017, LERS membership consisted of 12 police and fire retirees and beneficiaries currently receiving benefits. Under LERS, after twenty-five years or more of service, in the aggregate, or upon reaching the age of sixty-five years, each covered employee was entitled to receive a yearly pension, in semi-monthly installments, equal to one-half the amount of salary attached to the rank which he/she may have held in the Fire or Police Department. Any employee who had not worked the full period of twenty-five years before reaching the age of sixty-five was entitled to have the amount of pension prorated according to the number of years worked in proportion to the period of twenty-five years of active service required for the pension provision.

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

**Summary of significant accounting policies and plan asset matters**

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

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

**Contributions required and contributions made**

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

Funding Policy – Actuarial determined funding policy provides for recommended period employer contributions for a projected forty-year cash flow under a thirty-year funding policy. During the last 5 fiscal years, contributions were not made in accordance with actuarially determined requirements. During the fiscal year 2006-07, contributions from the General Fund were made to cover benefits on a “pay as you go” basis. No contributions were made during the fiscal year 2007-08. During the fiscal years 2008-09, 2009-10, 2010-11, 2011-12, 2012-2013, 2013-2014, 2014-2015, 2015-2016, and 2016-2017 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 2016-17 fiscal year was as follows:

Annual required contribution	\$ 258,194
Interest on net pension obligation (asset)	(79,265)
Adjustments to annual required contribution	196,634
Annual pension cost	<u>375,563</u>
Contribution made	<u>(353,856)</u>
Increase (decrease) in net pension obligation (asset)	21,707
Net pension obligation (asset), beginning of fiscal year	(2,264,710)
Net pension obligation (asset), end of fiscal year	<u><u>\$ (2,243,003)</u></u>

The annual required contribution for the fiscal year 2016-17 was determined as part of the June 30, 2017 actuarial review using the entry age normal cost method, with the determination of the initial unfunded actuarial liability as of June 30, 1988, and amortizing that value over the remaining portion of forty years, with such forty year period beginning with the date of the initial funding method at July 1, 1975. The unfunded actuarial liability is being amortized as a level dollar of projected payroll.

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

CITY OF EUREKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

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

**Contributions required and contributions made (Continued)**

There was a material change in actuarial method for the fiscal year 1997-98 used to determine the Net Pension Obligation. The major change in the calculations dealt with the actuarial required contribution (ARC) for each of the years prior to 1997. The prior number was calculated with the recommended annual contributions being used as the ARC. Such recommended amounts amortized all gains and losses over a period that ends on June 30, 2017. 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, 2017 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)
2015	\$ 87,862	100%	\$ (1,993,598)
2016	125,767	100%	(2,264,710)
2017	375,563	100%	(2,243,003)

**Funded Status — Most Recent Actuarial Valuation**

According to the Plan's June 30, 2017 actuarial valuation, total actuarial assets of \$0 represented 0% of the total actuarial accrued liabilities of \$3,077,801 as of June 30, 2017. Additionally, total unfunded actuarial liabilities were \$3,077,801 at June 30, 2017 according to the valuation. For multiyear trend information, please refer to the schedules of funding progress in the required 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, 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Agent Multiple-Employer Defined Benefit Pension Plan***

A. General Information about the Pension Plan

**Plan Descriptions** - All qualified employees are eligible to participate in the City's separate Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Miscellaneous Plan		
	Tier I	Tier I	PEPRA
Hire date	Prior to August 1, 2002	On or after August 1, 2002	On or after July 1, 2013
Benefit formula	2.7% @ 55	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.00%	8.00%	6.25%
Required employer contribution rates	10.516%	10.516%	10.516%

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	266
Inactive employees entitled to but not yet receiving benefits	186
Active employees	158
Total	<u>610</u>

CITY OF EUREKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Agent Multiple-Employer Defined Benefit Pension Plan (Continued)***

A. General Information about the Pension Plan (Continued)

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

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment Expenses, includes Inflation
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Agent Multiple-Employer Defined Benefit Pension Plan (Continued)***

B. Net Pension Liability (Continued)

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Agent Multiple-Employer Defined Benefit Pension Plan (Continued)***

B. Net Pension Liability (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Year 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

C. Changes in the Net Pension Liability

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

***Miscellaneous Plan:***

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
<b>Balance at June 30, 2015</b>	<b>\$ 90,246,108</b>	<b>\$ 61,788,199</b>	<b>\$ 28,457,909</b>
<b>Changes during the year:</b>			
Service Cost	1,376,312	-	1,376,312
Interest on the Total Pension Liability	6,804,666	-	6,804,666
Change of Assumptions	288,993	-	288,993
Differences between Expected and Actual Experience	204,812	-	204,812
Plan to Plan Resource Movement	-	417,966	(417,966)
Contribution from the Employer	-	2,048,588	(2,048,588)
Contribution from the Employees	-	591,849	(591,849)
Net Investment Income	-	306,000	(306,000)
Benefit Payments	(4,956,375)	(4,956,375)	-
Administrative Expense	-	(37,657)	37,657
<b>Net Changes</b>	<b>3,718,408</b>	<b>(1,629,629)</b>	<b>5,348,037</b>
<b>Balance at June 30, 2016</b>	<b>\$ 93,964,516</b>	<b>\$ 60,158,570</b>	<b>\$ 33,805,946</b>

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Agent Multiple-Employer Defined Benefit Pension Plan (Continued)***

C. Changes in the Net Pension Liability (Continued)

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 45,426,279
Current Discount Rate	7.65%
Net Pension Liability	\$ 33,805,946
1% Increase	8.65%
Net Pension Liability	\$ 24,131,555

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

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

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$2,408,515. At June 30, 2017, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,225,605	\$ -
Changes of assumptions		(301,068)
Differences between expected and actual experiences		(58,378)
Net differences between projected and actual earnings on plan investments	<u>3,253,689</u>	
Total	<u>\$ 5,479,294</u>	<u>\$ (359,446)</u>

\$2,225,605 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	
2018	\$ 33,712
2019	475,081
2020	1,518,516
2021	866,934

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Cost-Sharing Employer Defined Benefit Pension Plan***

A. General Information about the Pension Plan

***Plan Descriptions*** - All qualified employees are eligible to participate in the City's separate Safety (police) Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Safety Plan - Police	
	Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.821%
Required employer contribution rates	20.123%	12.821%

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

For the fiscal year ended June 30, 2017, the contributions recognized as a reduction to the net pension liability for the plan was \$1,550,480.

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Cost-Sharing Employer Defined Benefit Pension Plan (Continued)***

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

As of June 30, 2017, the City reported net pension liability for its proportionate share of the net pension liability was \$16,642,077.

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Safety - Police</u>
Proportion - June 30, 2015	0.33926%
Proportion - June 30, 2016	<u>0.32132%</u>
Change - Increase (Decrease)	<u><u>-0.01794%</u></u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$316,391. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (122,287)
Changes of assumptions		(533,182)
Changes of employer's proportions	586,742	(236,469)
Net difference between projected and actual earnings on pension plan investments	2,619,499	
Changes in proportion and differences between City contributions and proportionate share of contributions	1,080,923	
City contributions subsequent to the measurement date	<u>1,199,603</u>	
	<u>\$ 5,486,767</u>	<u>\$ (891,938)</u>

CITY OF EUREKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Cost-Sharing Employer Defined Benefit Pension Plan (Continued)***

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

\$1,199,603 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		
2018	\$	714,768
2019		700,784
2020		1,297,742
2021		681,932

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

	<u>Safety - Police</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30%-14.20%
Investment Rate of Return	7.50%
Mortality(1)	Derived using CalPERS' Membership Data for all Funds

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website.

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Cost-Sharing Employer Defined Benefit Pension Plan (Continued)***

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

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

***Cost-Sharing Employer Defined Benefit Pension Plan (Continued)***

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

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 23,747,510
Current Discount Rate	7.65%
Net Pension Liability	\$ 16,642,077
1% Increase	8.65%
Net Pension Liability	\$ 10,809,245

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 12 DEFERRED COMPENSATION PLANS**

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

Full-time employees

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

Part-time employees

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

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

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

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

**NOTE 14 NET POSITION AND FUND BALANCES**

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

**a. Net Position**

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

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 14 NET POSITION AND FUND BALANCES (Continued)**

**a. Net Position (Continued)**

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

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

The government-wide statement of net position reports \$19,389,608 of restricted net position.

**b. Fund Balances**

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

Fund Balances	General	Successor Housing Authority	Housing	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid expenditures	\$ 42,820	\$ -	\$ -	\$ -	\$ 42,820
Total Nonspendable	42,820				42,820
<u>Restricted for:</u>					
Housing		2,334,547			2,334,547
Law enforcement				1,359,745	1,359,745
Public health				258,641	258,641
Road improvements				16,337	16,337
Total Restricted		2,334,547		1,634,723	3,969,270
Unassigned	5,496,656		(267,076)	(3,041,395)	2,188,185
Total Fund Balances	\$ 5,539,476	\$ 2,334,547	\$ (267,076)	\$ (1,406,672)	\$ 6,200,275

**NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

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

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

CITY OF EUREKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

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

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

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

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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Capital Asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Reductions	Transfers to the City of Eureka	Balance at June 30, 2017
Capital assets, not being depreciated:					
Artwork	\$ 53,702	\$ -	\$ -	\$ -	\$ 53,702
Total capital assets, not being depreciated	53,702				53,702
Capital assets, being depreciated:					
Buildings	1,945,282			(1,945,282)	
Machinery and equipment	181,628				181,628
Total capital assets being depreciated	2,126,910			(1,945,282)	181,628
Less accumulated depreciation for:					
Buildings	(194,528)	(48,632)		243,160	
Machinery and equipment	(36,324)	(9,081)			(45,405)
Total accumulated depreciation	(230,852)	(57,713)		243,160	(45,405)
Total capital assets being depreciated, net	1,896,058	(57,713)		(1,702,122)	136,223
Capital assets, net	<u>\$ 1,949,760</u>	<u>\$ (57,713)</u>	<u>\$ -</u>	<u>\$ (1,702,122)</u>	<u>\$ 189,925</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
Revenue Bonds Payable					
2003 Tax Allocation Revenue Bonds	\$ 11,000,000	\$ -	\$ (11,000,000)	\$ -	\$ -
2010 Lease Revenue Bonds Series A	4,465,000		(4,465,000)		
2010 Lease Revenue Bonds Series B	4,045,000		(4,045,000)		
2017 Tax Allocation Refunding Bonds		19,005,000		19,005,000	1,725,000
Total Bonds Payable	19,510,000	19,005,000	(19,510,000)	19,005,000	1,725,000
Bond Discount	(98,356)		98,356		
Bond Premium		1,037,001	(10,751)	1,026,250	53,027
Advance payable to City	2,305,704		(445,705)	1,859,999	
California Infrastructure Bank Loan	1,233,421		(1,233,421)		
Total	<u>\$ 22,950,769</u>	<u>\$ 20,042,001</u>	<u>\$ (21,101,521)</u>	<u>\$ 21,891,249</u>	<u>\$ 1,778,027</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Tax Allocation Revenue Refunding Bonds of 2017**

On April 18, 2017, the Successor Agency of the former Eureka Redevelopment Agency issued 2017 Tax Allocation Revenue Refunding Bonds Series A and B in the amount of \$19,005,000. The purpose of the issue was to refund and to defease the 2010 Lease Revenue Bonds Series A and B, 2003 Tax Allocation Revenue Bonds, and 2008 California Infrastructure Bank Loan plus accreted interest thereon. The proceeds from this issue plus any reserve funds remaining for the 2010 Lease Revenue Bonds Series A and B was used to fund an escrow account which will be used to redeem the 2010 Lease Revenue Bonds Series A and B on May 1, 2018. The redemption price was equal to 100% of the 2010 Lease Revenue Bonds Series A and B.

The 2017 Revenue Refunding bonds Series A and B are issued as \$5,925,000 and \$13,080,000, respectively, in serial bonds with a maturity date of November 1, 2036. These bonds carry interest at 3.625-5%.

The bonds are secured by tax revenues generated within the project area and as allocated for the payment of the debt by the County of Humboldt per recognized obligation schedule.

As a result of the refunding the Agency realized a net savings in the amount of \$3,074,996 and an economic gain (difference between present value of new debt versus old debt) of \$2,088,073.

The outstanding principal balance of the bonds at June 30, 2017, is \$19,005,000.

Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,725,000	\$ 683,413	\$ 2,408,413
2019	1,755,000	636,409	2,391,409
2020	1,785,000	604,300	2,389,300
2021	1,815,000	550,150	2,365,150
2022	1,890,000	466,600	2,356,600
2023-2027	5,315,000	1,212,325	6,527,325
2028-2032	2,160,000	635,582	2,795,582
2033-2037	2,560,000	237,482	2,797,482
	<u>\$ 19,005,000</u>	<u>\$ 5,026,261</u>	<u>\$ 24,031,261</u>

CITY OF EUREKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

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

**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 outstanding balance as of June 30, 2017 was \$656,101.

The Redevelopment Agency Debt Service Fund borrowed funds from the Water Fund for water redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2017 was \$101,885.

The Redevelopment Agency Debt Service Fund borrowed funds from the Wastewater Fund for wastewater redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2017 was \$1,102,013

**NOTE 16 PRIOR PERIOD ADJUSTMENTS**

The following summarizes the effect of the prior period adjustments to beginning net position as of July 1, 2016:

Reason for adjustments	Business-type Activities	Proprietary Fund Building Enterprise Fund
(Overstatement) of interest receivable	\$ (45,390)	\$ (45,390)

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**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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 21,751,693	\$ 21,751,693	\$ 22,835,229	\$ 1,083,536
Licenses, permits, and fees	1,231,300	1,231,300	1,351,034	119,734
Fines and penalties	199,000	199,000	139,486	(59,514)
Intergovernmental	2,395,920	2,395,920	2,402,200	6,280
Charges for services	4,019,915	4,019,915	4,064,244	44,329
Other revenues	140,260	140,260	865,000	724,740
<b>Total Revenues</b>	<b>29,738,088</b>	<b>29,738,088</b>	<b>31,657,193</b>	<b>1,919,105</b>
<b>Expenditures:</b>				
General government-				
Council	114,566	114,566	116,635	(2,069)
Mayor	30,064	30,064	28,141	1,923
City Manager	297,412	297,412	290,568	6,844
City Clerk	279,682	279,682	276,730	2,952
Human Resources	524,894	524,894	497,295	27,599
Finance	644,729	644,729	654,144	(9,415)
City Attorney	556,641	556,641	514,163	42,478
Non-departmental	2,832,234	2,856,089	3,656,768	(800,679)
Public safety-				
Police	11,568,514	11,568,514	10,933,069	635,445
Fire	6,341,325	6,352,379	6,383,042	(30,663)
Public works-				
Engineering	324,424	324,424	309,815	14,609
Maintenance	875,073	875,073	755,871	119,202
Community development	1,408,020	1,408,020	1,193,883	214,137
Culture and recreation	3,642,386	3,652,386	3,592,448	59,938
Capital outlay	621,000	1,694,838	733,699	961,139
Debt service -				
Principal payments	111,453	111,453	111,423	30
Interest and fiscal charges	18,089	18,089	18,119	(30)
<b>Total Expenditures</b>	<b>30,190,506</b>	<b>31,309,253</b>	<b>30,065,813</b>	<b>1,243,440</b>
Excess of revenues over (under) expenditures	(452,418)	(1,571,165)	1,591,380	3,162,545
Fund Balance, beginning of fiscal year	3,948,096	3,948,096	3,948,096	
Fund Balance, end of fiscal year	<b>\$ 3,495,678</b>	<b>\$ 2,376,931</b>	<b>\$ 5,539,476</b>	<b>\$ 3,162,545</b>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 13,550	\$ 13,550
Other revenues			695,157	695,157
Total Revenues			708,707	708,707
<b>Expenditures:</b>				
Current:				
Community development	449,575	549,575	359,646	189,929
Total Expenditures	449,575	549,575	359,646	189,929
Excess of Revenues Over (Under) Expenditures	(449,575)	(549,575)	349,061	898,636
Fund Balance, beginning of fiscal year	1,985,486	1,985,486	1,985,486	
Fund Balance, end of fiscal year	<u>\$ 1,535,911</u>	<u>\$ 1,435,911</u>	<u>\$ 2,334,547</u>	<u>\$ 898,636</u>

CITY OF EUREKA  
HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 2,147,926	\$ 2,147,926	\$ 2,961,154	\$ 813,228
Other revenues			16,540	16,540
Total Revenues	<u>2,147,926</u>	<u>2,147,926</u>	<u>2,977,694</u>	<u>829,768</u>
<b>Expenditures:</b>				
Current:				
Community development	<u>2,581,426</u>	<u>2,616,426</u>	<u>4,716,865</u>	<u>(2,100,439)</u>
Total Expenditures	<u>2,581,426</u>	<u>2,616,426</u>	<u>4,716,865</u>	<u>(2,100,439)</u>
Excess of Revenues Over (Under) Expenditures	(433,500)	(468,500)	(1,739,171)	(1,270,671)
Fund Balance, beginning of fiscal year	<u>1,472,095</u>	<u>1,472,095</u>	<u>1,472,095</u>	
Fund Balance, end of fiscal year	<u>\$ 1,038,595</u>	<u>\$ 1,003,595</u>	<u>\$ (267,076)</u>	<u>\$ (1,270,671)</u>

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA)/(AAL)	Annual Covered Payroll	UAAL as a Percentage of Covered payroll
6/30/1996	\$ 1,500,695	\$ 6,955,634	\$ 5,454,939	21.6%	N/A	N/A
6/30/1997	1,486,314	6,851,822	5,365,508	21.7%	N/A	N/A
6/30/1998	1,477,862	7,013,672	5,535,810	21.1%	N/A	N/A
6/30/1999	1,177,209	6,883,361	5,706,152	17.1%	N/A	N/A
6/30/2000	1,271,710	6,178,799	4,907,089	20.6%	N/A	N/A
6/30/2001	1,426,952	6,078,866	4,651,914	23.5%	N/A	N/A
6/30/2002	1,521,478	6,648,840	5,127,362	22.9%	N/A	N/A
6/30/2003	1,310,755	6,517,915	5,207,160	20.1%	N/A	N/A
6/30/2004	1,253,920	5,749,458	4,495,538	21.8%	N/A	N/A
6/30/2005	875,905	5,599,704	4,723,799	15.6%	N/A	N/A
6/30/2006	904,323	4,985,969	4,081,646	18.1%	N/A	N/A
6/30/2007	1,284,477	4,806,301	3,521,524	26.7%	N/A	N/A
6/30/2008	849,471	4,959,400	4,109,929	17.1%	N/A	N/A
6/30/2009	634,937	4,740,136	4,105,199	13.4%	N/A	N/A
6/30/2010	348,920	4,926,194	4,577,274	7.1%	N/A	N/A
6/30/2011	15,016	4,682,353	4,667,337	0.3%	N/A	N/A
6/30/2012	51,919	4,020,040	3,968,121	1.3%	N/A	N/A
6/30/2013	25,252	3,792,045	3,766,793	0.7%	N/A	N/A
6/30/2014	46,751	3,565,386	3,518,635	1.3%	N/A	N/A
6/30/2015	4,771	3,345,646	3,340,875	0.1%	N/A	N/A
6/30/2016	(1,702)	3,625,385	3,627,087	0.0%	N/A	N/A
6/30/2017	-	3,077,801	3,077,801	0.0%	N/A	N/A

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

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

**Schedule of Employer Contributions**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
1996	\$ 590,693	85%
1997	590,693	69%
1998	616,275	69%
1999	616,275	24%
2000	556,724	90%
2001	556,724	90%
2002	607,686	68%
2003	607,686	74%
2004	571,992	74%
2005	(121,420)	100%
2006	(163,025)	100%
2007	(121,366)	100%
2008	(88,525)	100%
2009	(31,650)	100%
2010	8,496	100%
2011	12,791	100%
2012	(24,914)	100%
2013	(45,499)	100%
2014	(42,325)	100%
2015	15,251	100%
2016	40,126	100%
2017	258,194	100%

Information as of the latest actuarial valuation follows:

Valuation date	July 1, 2017 (June 30, 2017)
Actuarial cost method	Entry Age
Amortization method	Straight Line Amortization – Closed
Remaining amortization period	40 year period beginning with the date of initial funding method (7/1/1975)
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	3.0%
Projected salary increases	2.0%

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

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

**Schedule of Changes in the Net Pension Liability and Related Ratios**

	<b>Miscellaneous Plan 2017</b>	<b>Miscellaneous Plan 2016</b>	<b>Miscellaneous Plan 2015</b>
Measurement Period	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
<b>Total Pension Liability</b>			
Service Cost	\$ 1,376,312	\$ 1,554,810	\$ 1,692,491
Interest on the Total Pension Liability	6,804,666	6,520,030	6,305,116
Change of Benefit Terms	288,993		
Change of Assumptions		(1,505,340)	
Differences between Expected and Actual Experience	204,812	(906,323)	
Benefit Payments, including Refunds of Employee Contributions	(4,956,375)	(4,560,948)	(4,151,414)
<b>Net Change in Total Pension Liability</b>	<b>3,718,408</b>	<b>1,102,229</b>	<b>3,846,193</b>
<b>Total Pension Liability - Beginning</b>	<b>90,246,108</b>	<b>89,143,879</b>	<b>85,297,686</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 93,964,516</b>	<b>\$ 90,246,108</b>	<b>\$ 89,143,879</b>
<b>Plan Fiduciary Net Position</b>			
Contributions from the Employer	\$ 2,048,588	\$ 1,988,547	\$ 2,166,174
Contributions from the Employees	591,849	670,876	698,583
Net investment income <sup>2</sup>	306,000	1,454,617	9,486,624
Benefit Payments	(4,956,375)	(4,560,948)	(4,151,414)
Plan to Plan Resource Movement	417,966	(914,730)	
Administrative Expense	(37,657)	(71,224)	
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,629,629)</b>	<b>(1,432,862)</b>	<b>8,199,967</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>61,788,199</b>	<b>63,221,061</b>	<b>55,021,094</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 60,158,570</b>	<b>\$ 61,788,199</b>	<b>\$ 63,221,061</b>
<b>Net Pension Liability - Ending (a)-(b)</b>	<b>\$ 33,805,946</b>	<b>\$ 28,457,909</b>	<b>\$ 25,922,818</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.02%	68.47%	70.92%
Covered Employee Payroll <sup>3</sup>	\$ 8,194,776	\$ 8,762,456	\$ 8,774,837
Net Pension Liability as Percentage of Covered Employee Payroll	412.53%	324.77%	295.42%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Net of administrative expenses.

<sup>3</sup> Net of administrative expenses. Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 Statement No. defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Note to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in Assumptions:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

**CITY OF EUREKA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**  
**Agent Multiple-Employer Defined Benefit Pension Plan**  
**Last 10 Fiscal Years\***  
**Miscellaneous Plan**

**Schedule of Contributions<sup>1</sup>**

	<u>Miscellaneous Plan</u> <u>Fiscal Year 2016-17</u>	<u>Miscellaneous Plan</u> <u>Fiscal Year 2015-16</u>	<u>Miscellaneous Plan</u> <u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution <sup>2</sup>	\$ 2,225,605	\$ 2,048,588	\$ 1,659,010
Contributions in Relation to the Actuarially Determined Contribution <sup>2</sup>	(2,225,605)	(2,048,588)	(1,659,010)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>3</sup>	\$ 8,440,619	\$ 8,194,776	\$ 8,762,456
Contributions as a Percentage of Covered Employee Payroll <sup>3</sup>	26.37%	25.00%	18.93%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 Statement No. is applicable.

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

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 Statement No. defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

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

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

	<b>Safety Plan-Police</b>		
	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>
Plan's proportion of the Net Pension Liability (Asset)	0.32132%	0.33926%	0.20332%
Plan's proportionate share of the Net Pension Liability (Asset)	\$ 16,642,077	\$ 13,979,217	\$ 12,651,826
Covered employee payroll <sup>2</sup>	\$ 3,433,383	\$ 3,591,933	3,664,127
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	484.71%	389.18%	345.29%
Plan's fiduciary net position	\$ 35,702,416	\$ 36,019,892	\$ 36,033,306
Plan's proportionate share of the Fiduciary Net Pension Liability (Asset) as a percentage of the Plan's Total Pension Liability	68.21%	72.04%	74.08%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 Statement No. is applicable.

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 Statement No. defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Note to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in Assumptions:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

**CITY OF EUREKA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

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

**Schedule of Contributions<sup>1</sup>**

	<b>Safety Plan - Police</b>		
	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution <sup>2</sup>	\$ 1,199,603	\$ 1,550,480	\$ 1,695,798
Contributions in Relation to the Actuarially Determined Contribution <sup>2</sup>	(1,199,603)	(1,550,480)	(1,695,798)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll <sup>3</sup>	\$ 3,536,384	\$ 3,433,383	\$ 3,591,933
Contributions as a Percentage of Covered Employee Payroll <sup>3</sup>	33.92%	45.16%	47.21%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 Statement No. is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68 Statement No., therefore are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 Statement No. defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

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**NONMAJOR GOVERNMENTAL FUNDS**



## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
<b>Assets</b>					
Cash and investments	\$ -	\$ 16,337	\$ 261,741	\$ 1,341,168	\$ -
Accounts receivable	2,213,322			25,000	
<b>Total Assets</b>	<u>\$ 2,213,322</u>	<u>\$ 16,337</u>	<u>\$ 261,741</u>	<u>\$ 1,366,168</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 958,639	\$ -	\$ 2,889	\$ 6,131	\$ 3,722
Due to other funds	1,028,397				77,591
Deposits payable					
Payroll and related liabilities	6,790		211	292	1,787
<b>Total Liabilities</b>	<u>1,993,826</u>		<u>3,100</u>	<u>6,423</u>	<u>83,100</u>
Deferred Inflows of Resources:					
Unavailable revenues	1,738,406				
<b>Fund Balances:</b>					
Restricted		16,337	258,641	1,359,745	
Unassigned	(1,518,910)				(83,100)
<b>Total Fund Balances (Deficit)</b>	<u>(1,518,910)</u>	<u>16,337</u>	<u>258,641</u>	<u>1,359,745</u>	<u>(83,100)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,213,322</u>	<u>\$ 16,337</u>	<u>\$ 261,741</u>	<u>\$ 1,366,168</u>	<u>\$ -</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,619,246
4,300	43,807			2,286,429
<u>\$ 4,300</u>	<u>\$ 43,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,905,675</u>
\$ -	\$ 22,801	\$ 777	\$ -	\$ 994,959
8,743	1,364,410	85,399		2,564,540
		5,260		5,260
		102		9,182
<u>8,743</u>	<u>1,387,211</u>	<u>91,538</u>		<u>3,573,941</u>
				1,738,406
<u>(4,443)</u>	<u>(1,343,404)</u>	<u>(91,538)</u>		1,634,723
<u>(4,443)</u>	<u>(1,343,404)</u>	<u>(91,538)</u>		<u>(3,041,395)</u>
<u>\$ 4,300</u>	<u>\$ 43,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,905,675</u>

CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
<b>REVENUES</b>					
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ 41,400
Fines and penalties				174,248	9,109
Intergovernmental	1,723,081		28,049	545,663	
Charges for services				18,650	
Other revenues	592		344	105,659	
Total Revenues	<u>1,723,673</u>		<u>28,393</u>	<u>844,220</u>	<u>50,509</u>
<b>EXPENDITURES</b>					
Current:					
Public safety				164,686	47,223
Public works	1,086,262	11,525	43,229		86,338
Capital outlay	1,975,229			105,050	
Total Expenditures	<u>3,061,491</u>	<u>11,525</u>	<u>43,229</u>	<u>269,736</u>	<u>133,561</u>
Excess of Revenues Over (Under) Expenditures	(1,337,818)	(11,525)	(14,836)	574,484	(83,052)
Fund Balances (Deficits), beginning of fiscal year	(181,092)	27,862	273,477	785,261	(48)
Fund Balances (Deficits), end of fiscal year	<u>\$ (1,518,910)</u>	<u>\$ 16,337</u>	<u>\$ 258,641</u>	<u>\$ 1,359,745</u>	<u>\$ (83,100)</u>

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Special Fire	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 41,400
				183,357
				2,296,793
				18,650
	66,959	23,863		197,417
	66,959	23,863		2,737,617
			289,730	501,639
	140,423	106,394		1,474,171
8,997				2,089,276
8,997	140,423	106,394	289,730	4,065,086
(8,997)	(73,464)	(82,531)	(289,730)	(1,327,469)
4,554	(1,269,940)	(9,007)	289,730	(79,203)
<u>\$ (4,443)</u>	<u>\$ (1,343,404)</u>	<u>\$ (91,538)</u>	<u>\$ -</u>	<u>\$ (1,406,672)</u>

CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	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						
Intergovernmental	2,063,483	1,723,081	(340,402)			
Charges for services						
Other revenues		592	592			
<b>Total Revenues</b>	<b>2,063,483</b>	<b>1,723,673</b>	<b>(339,810)</b>			
<b>Expenditures:</b>						
Current:						
Public safety						
Public works	1,659,537	1,086,262	573,275	95,000	11,525	83,475
Community development						
Capital outlay	2,547,602	1,975,229	572,373			
<b>Total Expenditures</b>	<b>4,207,139</b>	<b>3,061,491</b>	<b>1,145,648</b>	<b>95,000</b>	<b>11,525</b>	<b>83,475</b>
Excess of Revenues Over (Under) Expenditures	(2,143,656)	(1,337,818)	805,838	(95,000)	(11,525)	83,475
Fund Balances (Deficits), beginning of fiscal year	(181,092)	(181,092)		27,862	27,862	
Fund Balances (Deficits), end of fiscal year	<u>\$ (2,324,748)</u>	<u>\$ (1,518,910)</u>	<u>\$ 805,838</u>	<u>\$ (67,138)</u>	<u>\$ 16,337</u>	<u>\$ 83,475</u>

Environmental Programs			Special Police			Parking		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,200	\$ 41,400	\$ (19,800)
45,000	28,049	(16,951)	50,000	174,248	124,248	90,000	9,109	(80,891)
	344	344	150,000	545,663	395,663			
			30,000	18,650	(11,350)			
				105,659	105,659			
45,000	28,393	(16,607)	230,000	844,220	614,220	151,200	50,509	(100,691)
68,332	43,229	25,103	114,552	164,686	(50,134)	25,899	47,223	(21,324)
						80,207	86,338	(6,131)
			13,232	105,050	(91,818)			
68,332	43,229	25,103	127,784	269,736	(141,952)	106,106	133,561	(27,455)
(23,332)	(14,836)	8,496	102,216	574,484	472,268	45,094	(83,052)	(128,146)
273,477	273,477		785,261	785,261		(48)	(48)	
\$ 250,145	\$ 258,641	\$ 8,496	\$ 887,477	\$ 1,359,745	\$ 472,268	\$ 45,046	\$ (83,100)	\$ (128,146)

(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, 2017  
(Continued)

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental						
Charges for services						
Other revenues					66,959	66,959
Total Revenues					66,959	66,959
<b>Expenditures:</b>						
Current:						
Public safety						
Public works				137,009	140,423	(3,414)
Capital outlay	250,000	8,997	241,003			
Total Expenditures	250,000	8,997	241,003	137,009	140,423	(3,414)
Excess of Revenues Over (Under)						
Expenditures	(250,000)	(8,997)	241,003	(137,009)	(73,464)	63,545
Fund Balances (Deficits), beginning of fiscal year	4,554	4,554		(1,269,940)	(1,269,940)	
Fund Balances (Deficits), end of fiscal year	\$ (245,446)	\$ (4,443)	\$ 241,003	\$ (1,406,949)	\$ (1,343,404)	\$ 63,545

Airport			Special Fire		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,000	23,863	2,863			
21,000	23,863	2,863			
111,433	106,394	5,039	289,730	289,730	
111,433	106,394	5,039	289,730	289,730	
(90,433)	(82,531)	7,902	(289,730)	(289,730)	
(9,007)	(9,007)		289,730	289,730	
\$ (99,440)	\$ (91,538)	\$ 7,902	\$ -	\$ -	\$ -

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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.

- **Facilities Operations Fund** – This fund is responsible for the maintenance and systems operation of over eighty City buildings. Major facilities include City Hall, Eureka Fire Headquarters, Municipal Auditorium, Adorni Recreation Center, Fisherman's Building, Eureka Police Headquarter, Wharfinger Building, and the Economic Development Administration Plant. Service functions provided are custodial, carpentry, electrical, plumbing, painting, and event set up. Facility maintenance is also provided to the Sequioa Park Zoo, Recreational Facilities, and traffic signal electrical services throughout the City system.

**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>ASSETS</b>	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
<b>Current assets:</b>					
Cash and investments	\$ 2,713,389	\$ -	\$ 763,893	\$ 75,940	\$ 3,553,222
Accounts receivable - net	7,500	3,428			10,928
Prepaid expenses		20,000			20,000
Total current assets	<u>2,720,889</u>	<u>23,428</u>	<u>763,893</u>	<u>75,940</u>	<u>3,584,150</u>
<b>Capital Assets:</b>					
<b>Nondepreciable</b>					
Construction in progress				199,586	199,586
Total nondepreciable capital assets				<u>199,586</u>	<u>199,586</u>
<b>Depreciable</b>					
Buildings	429,246		17,374		446,620
Improvements	34,930				34,930
Equipment	7,825,422		1,441,376		9,266,798
Total depreciable capital assets	<u>8,289,598</u>		<u>1,458,750</u>		<u>9,748,348</u>
Less accumulated depreciation	<u>(7,039,724)</u>		<u>(1,427,686)</u>		<u>(8,467,410)</u>
Total capital assets, net	<u>1,249,874</u>		<u>31,064</u>	<u>199,586</u>	<u>1,480,524</u>
<b>Total Assets</b>	<u>3,970,763</u>	<u>23,428</u>	<u>794,957</u>	<u>275,526</u>	<u>5,064,674</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	290,951		161,091	170,406	622,448
Total deferred outflows of resources	<u>290,951</u>		<u>161,091</u>	<u>170,406</u>	<u>622,448</u>
Total Assets and Deferred Outflows of Resources	<u>4,261,714</u>	<u>23,428</u>	<u>956,048</u>	<u>445,932</u>	<u>5,687,122</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	163,788	7,056	57,746	41,336	269,926
Due to other funds		394,046			394,046
Claims and judgments payable		274,149			274,149
Compensated absences	35,722		13,811		49,533
Payroll and related liabilities	14,181		9,473	6,892	30,546
Total current liabilities	<u>213,691</u>	<u>675,251</u>	<u>81,030</u>	<u>48,228</u>	<u>1,018,200</u>
<b>Noncurrent Liabilities:</b>					
Net pension liabilities	1,795,096		993,895	1,051,365	3,840,356
Total noncurrent liabilities	<u>1,795,096</u>		<u>993,895</u>	<u>1,051,365</u>	<u>3,840,356</u>
Total liabilities	<u>2,008,787</u>	<u>675,251</u>	<u>1,074,925</u>	<u>1,099,593</u>	<u>4,858,556</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	19,087		10,568	11,179	40,834
Total deferred inflows of resources	<u>19,087</u>		<u>10,568</u>	<u>11,179</u>	<u>40,834</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,027,874</u>	<u>675,251</u>	<u>1,085,493</u>	<u>1,110,772</u>	<u>4,899,390</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,249,874		31,064	199,586	1,480,524
Unrestricted	983,966	(651,823)	(160,509)	(864,426)	(692,792)
<b>Total Net Position (Deficits)</b>	<u>\$ 2,233,840</u>	<u>\$ (651,823)</u>	<u>\$ (129,445)</u>	<u>\$ (664,840)</u>	<u>\$ 787,732</u>

**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>ASSETS</b>	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
<b>Current assets:</b>					
Cash and investments	\$ 2,713,389	\$ -	\$ 763,893	\$ 75,940	\$ 3,553,222
Accounts receivable - net	7,500	3,428			10,928
Prepaid expenses		20,000			20,000
<b>Total current assets</b>	<b>2,720,889</b>	<b>23,428</b>	<b>763,893</b>	<b>75,940</b>	<b>3,584,150</b>
<b>Capital Assets:</b>					
<b>Nondepreciable</b>					
Construction in progress				199,586	199,586
<b>Total nondepreciable capital assets</b>				<b>199,586</b>	<b>199,586</b>
<b>Depreciable</b>					
Buildings	429,246		17,374		446,620
Improvements	34,930				34,930
Equipment	7,825,422		1,441,376		9,266,798
<b>Total depreciable capital assets</b>	<b>8,289,598</b>		<b>1,458,750</b>		<b>9,748,348</b>
Less accumulated depreciation	(7,039,724)		(1,427,686)		(8,467,410)
<b>Total capital assets, net</b>	<b>1,249,874</b>		<b>31,064</b>	<b>199,586</b>	<b>1,480,524</b>
<b>Total Assets</b>	<b>3,970,763</b>	<b>23,428</b>	<b>794,957</b>	<b>275,526</b>	<b>5,064,674</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	290,951		161,091	170,406	622,448
<b>Total deferred outflows of resources</b>	<b>290,951</b>		<b>161,091</b>	<b>170,406</b>	<b>622,448</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>4,261,714</b>	<b>23,428</b>	<b>956,048</b>	<b>445,932</b>	<b>5,687,122</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	163,788	7,056	57,746	41,336	269,926
Due to other funds		394,046			394,046
Claims and judgments payable		274,149			274,149
Compensated absences	35,722		13,811		49,533
Payroll and related liabilities	14,181		9,473	6,892	30,546
<b>Total current liabilities</b>	<b>213,691</b>	<b>675,251</b>	<b>81,030</b>	<b>48,228</b>	<b>1,018,200</b>
<b>Noncurrent Liabilities:</b>					
Net pension liabilities	1,795,096		993,895	1,051,365	3,840,356
<b>Total noncurrent liabilities</b>	<b>1,795,096</b>		<b>993,895</b>	<b>1,051,365</b>	<b>3,840,356</b>
<b>Total liabilities</b>	<b>2,008,787</b>	<b>675,251</b>	<b>1,074,925</b>	<b>1,099,593</b>	<b>4,858,556</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	19,087		10,568	11,179	40,834
<b>Total deferred inflows of resources</b>	<b>19,087</b>		<b>10,568</b>	<b>11,179</b>	<b>40,834</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,027,874</b>	<b>675,251</b>	<b>1,085,493</b>	<b>1,110,772</b>	<b>4,899,390</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,249,874		31,064	199,586	1,480,524
Unrestricted	983,966	(651,823)	(160,509)	(864,426)	(692,792)
<b>Total Net Position (Deficits)</b>	<b>\$ 2,233,840</b>	<b>\$ (651,823)</b>	<b>\$ (129,445)</b>	<b>\$ (664,840)</b>	<b>\$ 787,732</b>

**CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
Operating Revenues:					
Charges for services	\$ 2,052,261	\$ 1,994,081	\$ 1,240,140	\$ 945,243	\$ 6,231,725
Other operating revenues	74,678				74,678
<b>Total Operating Revenues</b>	<b>2,126,939</b>	<b>1,994,081</b>	<b>1,240,140</b>	<b>945,243</b>	<b>6,306,403</b>
Operating Expenses:					
Maintenance and operation	1,430,537	18,631	1,203,462	1,610,083	4,262,713
Insurance costs and claims	37,608	1,709,293			1,746,901
Depreciation	341,727		169,724		511,451
<b>Total Expenses</b>	<b>1,809,872</b>	<b>1,727,924</b>	<b>1,373,186</b>	<b>1,610,083</b>	<b>6,521,065</b>
Operating Income (Loss)	317,067	266,157	(133,046)	(664,840)	(214,662)
Non-Operating Revenues (Expenses)					
Interest expense			(1,657)		(1,657)
<b>Total Non-Operating Revenues/(Expenses)</b>			<b>(1,657)</b>		<b>(1,657)</b>
Change in Net Position	317,067	266,157	(134,703)	(664,840)	(216,319)
Net Position (Deficits), beginning of fiscal year	1,916,773	(917,980)	5,258		1,004,051
Net Position (Deficits), end of fiscal year	<u>\$ 2,233,840</u>	<u>\$ (651,823)</u>	<u>\$ (129,445)</u>	<u>\$ (664,840)</u>	<u>\$ 787,732</u>

**CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers/interfund charges	\$ 2,126,939	\$ 1,993,113	\$ 1,240,140	\$ 945,243	\$ 6,305,435
Payments to suppliers and users	(792,607)	(1,774,221)	(998,798)	(298,640)	(3,864,266)
Payments to employees	(478,958)		(234,483)	(371,077)	(1,084,518)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>855,374</b>	<b>218,892</b>	<b>6,859</b>	<b>275,526</b>	<b>1,356,651</b>
<b>Cash Flows from Non-capital Financing Activities:</b>					
Due to/from other funds		(218,892)			(218,892)
<b>Net Cash Provided by Non-capital Financing Activities</b>		<b>(218,892)</b>			<b>(218,892)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Principal payments - long-term debt			(58,745)		(58,745)
Interest paid			(1,657)		(1,657)
Acquisition of capital assets	(418,854)		(17,374)	(199,586)	(635,814)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(418,854)</b>		<b>(77,776)</b>	<b>(199,586)</b>	<b>(696,216)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>436,520</b>		<b>(70,917)</b>	<b>75,940</b>	<b>441,543</b>
Cash and Cash Equivalents, July 1, 2016	2,276,869		834,810		3,111,679
Cash and Cash Equivalents, June 30, 2017	<u>\$ 2,713,389</u>	<u>\$ -</u>	<u>\$ 763,893</u>	<u>\$ 75,940</u>	<u>\$ 3,553,222</u>
Cash and Investments on Combining Statement of Net Position	<u>\$ 2,713,389</u>	<u>\$ -</u>	<u>\$ 763,893</u>	<u>\$ 75,940</u>	<u>\$ 3,553,222</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 317,067	\$ 266,157	\$ (133,046)	\$ (664,840)	\$ (214,662)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:</b>					
Depreciation	341,727		169,724		511,451
<b>(Increase) Decrease in Operating Assets:</b>					
Accounts receivable		(968)			(968)
Deferred outflows of resources - pension related	(185,163)		(106,467)	(170,406)	(462,036)
<b>Increase (Decrease) in Operating Liabilities:</b>					
Claims and judgments payable		20,088			20,088
Accounts payable	92,548	(66,385)	(115,356)	41,336	(47,857)
Compensated absences	(4,116)		6,436		2,320
Deferred inflows of resources - pension related	(61,764)		(48,084)	11,179	(98,669)
Net pension liability	355,249		232,016	1,051,365	1,638,630
Payroll and related liabilities	(174)		1,636	6,892	8,354
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 855,374</u></b>	<b><u>\$ 218,892</u></b>	<b><u>\$ 6,859</u></b>	<b><u>\$ 275,526</u></b>	<b><u>\$ 1,356,651</u></b>

## FIDUCIARY FUNDS



## PRIVATE-PURPOSE TRUST FUNDS

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

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

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

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

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

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

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

CITY OF EUREKA  
PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2017

	Hazardous Material Response Authority	Successor Agency Capital Project	Successor Agency Debt Service	Totals
<b>Assets:</b>				
Cash and Investments	\$ -	\$ 45,442	\$ 1,819,150	\$ 1,864,592
Cash and Investments with Fiscal Agent, Restricted		131	8,809	8,940
Capital Assets, Not Being Depreciated		53,702		53,702
Capital Assets, Net of Accumulated Depreciation		136,223		136,223
<b>Total Assets</b>		<u>235,498</u>	<u>1,827,959</u>	<u>2,063,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred loss on refunding			1,207,947	1,207,947
<b>Liabilities:</b>				
Accounts Payable			2,155	2,155
Payroll Payable		16	1,173	1,189
Interest Payable			116,765	116,765
Unearned Revenue			1,768,989	1,768,989
Noncurrent Liabilities:				
Due within One Year			1,778,027	1,778,027
Due in More than One Year			20,113,222	20,113,222
<b>Total Liabilities</b>		<u>16</u>	<u>23,780,331</u>	<u>23,780,347</u>
<b>Net Position:</b>				
Unrestricted		235,482	(20,744,425)	(20,508,943)
<b>Total Net Position (Deficits)</b>	<u>\$ -</u>	<u>\$ 235,482</u>	<u>\$ (20,744,425)</u>	<u>\$ (20,508,943)</u>

CITY OF EUREKA  
PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Hazardous Material Response Authority	Successor Agency Capital Project	Successor Agency Debt Service	Totals
<b>Additions:</b>				
Taxes	\$ -	\$ -	\$ 3,538,027	\$ 3,538,027
Investment income		1,484	4,100	5,584
Total Additions		<u>1,484</u>	<u>3,542,127</u>	<u>3,543,611</u>
<b>Deductions:</b>				
Administration			233,024	233,024
Depreciation		57,713		57,713
Community development		27,515	274,282	301,797
Public safety	48,363			48,363
Interest expense			1,479,970	1,479,970
Capital contribution to the City of Eureka		6,190,800		6,190,800
Pass-through payments			14,842	14,842
Total Deductions	<u>48,363</u>	<u>6,276,028</u>	<u>2,002,118</u>	<u>8,326,509</u>
Change in Net Position	(48,363)	(6,274,544)	1,540,009	(4,782,898)
Net Position (Deficits), beginning of fiscal year	<u>48,363</u>	<u>6,510,026</u>	<u>(22,284,434)</u>	<u>(15,726,045)</u>
Net Position (Deficits), end of fiscal year	<u>\$ -</u>	<u>\$ 235,482</u>	<u>\$ (20,744,425)</u>	<u>\$ (20,508,943)</u>

CITY OF EUREKA  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b><u>Trust Holding Fund</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 163,860	\$ 5,335	\$ 845	\$ 168,350
Total Assets	\$ 163,860	\$ 5,335	\$ 845	\$ 168,350
<u>Liabilities:</u>				
Accounts payable	\$ 845	\$ -	\$ 845	\$ -
Deposits payable	163,015	5,335		168,350
Total Liabilities	\$ 163,860	\$ 5,335	\$ 845	\$ 168,350