

CITY OF EUREKA
FINANCIAL STATEMENTS
JUNE 30, 2019

**CITY OF EUREKA
ANNUAL FINANCIAL REPORT
June 30, 2019**

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FINANCIAL SECTION



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Independent Auditor's Report

Honorable Mayor and City Council
City of Eureka
Eureka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Uncertainties Regarding COVID-19

As discussed in Note 16 to the basic financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 83 through 86, the schedule of changes in the total pension liability – local employees’ retirement system on page 87, Agent-Multiple Employer Defined Pension Plan: the schedule of changes in the net pension liability on page 88 and the schedule of pension contributions on page 89, and Cost Sharing Defined Pension Plan: the schedule of plan’s proportionate share of net pension liability on page 90 and the schedule of pension contributions on page 91, 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.

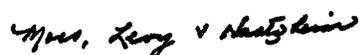
Other Information

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 June 8, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
June 8, 2020

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CITY OF EUREKA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 10,985,243	\$ 5,054,257	\$ 16,039,500
Cash and investments with fiscal agents		3,757,983	3,757,983
Accounts receivable	7,636,319	8,001,759	15,638,078
Interest receivable	2,859,034		2,859,034
Prepaid items	66,261	184,195	250,456
Notes and loans receivable	17,487,415		17,487,415
Internal balances	(3,791,535)	3,791,535	
Land held for resale	524,368	4,488,678	5,013,046
Due from RDA Successor Agency		322,515	322,515
Capital assets, not being depreciated	30,873,277	18,204,948	49,078,225
Capital assets, net of accumulated depreciation	47,204,776	86,036,604	133,241,380
Total Assets	113,845,158	129,842,474	243,687,632
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	6,885,608	1,891,350	8,776,958
Deferred loss on debt refunding		216,935	216,935
Total Deferred Outflows of Resources	6,885,608	2,108,285	8,993,893
Total Assets and Deferred Outflows of Resources	120,730,766	131,950,759	252,681,525
LIABILITIES			
Accounts payable	3,260,779	1,370,233	4,631,012
Payroll and related liabilities	454,638	140,833	595,471
Deposits payable	105,638	376,315	481,953
Accrued interest payable	1,932	438,775	440,707
Claims and judgments payable	115,155		115,155
Unearned revenue		277	277
Noncurrent liabilities:			
Net pension liability	38,991,660	16,017,218	55,008,878
Local Employees' Retirement System (LERS)	2,260,608		2,260,608
Other long-term obligations			
Due within one year	759,611	1,569,997	2,329,608
Due in more than one year	722,071	32,664,324	33,386,395
Total Liabilities	46,672,092	52,577,972	99,250,064
DEFERRED INFLOWS OF RESOURCES			
Pension related	1,047,923	251,255	1,299,178
Total Liabilities and Deferred Inflows of Resources	47,720,015	52,829,227	100,549,242
NET POSITION			
Net investment in capital assets	77,721,224	70,277,954	147,999,178
Restricted for:			
Public safety	2,150,349		2,150,349
Streets and roads	438,576		438,576
Debt service		3,974,918	3,974,918
Public health	209,791		209,791
Housing	20,423,722		20,423,722
Unrestricted	(27,932,911)	4,868,660	(23,064,251)
Total Net Position	\$ 73,010,751	\$ 79,121,532	\$ 152,132,283

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, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 3,666,636	\$ 3,101,546	\$ 43,887	\$ 41,221
Community development	1,556,770	858,874	514,139	
Public safety	22,050,510	786,937	956,225	
Public works	4,210,793	46,303	1,339,589	2,923,887
Parks and recreation	3,890,742	1,097,341	5,000	
Interest on long-term debt	28,798			
Total Governmental	<u>35,404,249</u>	<u>5,891,001</u>	<u>2,858,840</u>	<u>2,965,108</u>
Business-type activities:				
Water	9,436,966	8,963,149		
Wastewater	10,567,037	11,899,252		
Harbor	3,175,216	998,832		
Building	1,996,546	1,343,125		
Transit	819,054	540		
Golf	140,531	13,507		
Total Business-type Activities	<u>26,135,350</u>	<u>23,218,405</u>		
Total	<u>\$ 61,539,599</u>	<u>\$ 29,109,406</u>	<u>\$ 2,858,840</u>	<u>\$ 2,965,108</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - beginning of fiscal year

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>
\$ (479,982)	\$ -	\$ (479,982)
(183,757)		(183,757)
(20,307,348)		(20,307,348)
98,986		98,986
(2,788,401)		(2,788,401)
(28,798)		(28,798)
<u>(23,689,300)</u>		<u>(23,689,300)</u>
	(473,817)	(473,817)
	1,332,215	1,332,215
	(2,176,384)	(2,176,384)
	(653,421)	(653,421)
	(818,514)	(818,514)
	(127,024)	(127,024)
	<u>(2,916,945)</u>	<u>(2,916,945)</u>
<u>(23,689,300)</u>	<u>(2,916,945)</u>	<u>(26,606,245)</u>
4,700,301		4,700,301
17,240,880		17,240,880
1,368,373		1,368,373
13,052		13,052
2,815,402		2,815,402
267,893		267,893
361,184	381,630	742,814
461,865		461,865
(205,391)	205,391	
<u>27,023,559</u>	<u>587,021</u>	<u>27,610,580</u>
3,334,259	(2,329,924)	1,004,335
<u>69,676,492</u>	<u>81,451,456</u>	<u>151,127,948</u>
<u>\$ 73,010,751</u>	<u>\$ 79,121,532</u>	<u>\$ 152,132,283</u>

**CITY OF EUREKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019**

	General	Successor Housing Authority	Housing
ASSETS			
Cash and investments	\$ 3,829,357	\$ 1,155,551	\$ 1,175,253
Accounts receivable	5,567,218	125,134	2,849
Prepaid items	15,000		
Notes and loans receivable		6,786,639	10,700,776
Land held for resale		524,368	
Total Assets	<u>\$ 9,411,575</u>	<u>\$ 8,591,692</u>	<u>\$ 11,878,878</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,575,211	\$ 6,329	\$ 28,882
Due to other funds			
Deposits payable	90,288	10,000	90
Payroll and related liabilities	408,022	1,547	
Total Liabilities	<u>3,073,521</u>	<u>17,876</u>	<u>28,972</u>
Deferred Inflows of Resources:			
Unavailable revenues	<u>395,411</u>	<u>6,786,639</u>	<u>10,700,776</u>
Fund Balances:			
Nonspendable:			
Prepaid items	15,000		
Restricted		1,787,177	1,149,130
Unassigned	<u>5,927,643</u>		
Total Fund Balances	<u>5,942,643</u>	<u>1,787,177</u>	<u>1,149,130</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,411,575</u>	<u>\$ 8,591,692</u>	<u>\$ 11,878,878</u>

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

Gas Tax/ State Highway	Other Governmental Funds	Total Governmental Funds
\$ - 1,431,632	\$ 2,385,460 498,647	\$ 8,545,621 7,625,480 15,000 17,487,415 524,368
<u>\$ 1,431,632</u>	<u>\$ 2,884,107</u>	<u>\$ 34,197,884</u>
\$ 345,709 803,167 6,202	\$ 125,881 2,880,695 5,260 3,668	\$ 3,082,012 3,683,862 105,638 419,439
<u>1,155,078</u>	<u>3,015,504</u>	<u>7,290,951</u>
		<u>17,882,826</u>
276,554	2,522,162 (2,653,559)	15,000 5,735,023 3,274,084
<u>276,554</u>	<u>(131,397)</u>	<u>9,024,107</u>
<u>\$ 1,431,632</u>	<u>\$ 2,884,107</u>	<u>\$ 34,197,884</u>

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CITY OF EUREKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balances of governmental funds \$ 9,024,107

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	\$ 175,219,942	
Less: accumulated depreciation	<u>(97,141,889)</u>	78,078,053

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. (1,932)

Local Employees' Retirement System (LERS) related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. (2,260,608)

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	(1,124,853)	
Capital lease payable	<u>(356,829)</u>	(1,481,682)

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, deferred outflows, net pensions liability, deferred inflows and compensated absences payable, reported above in the amount of \$1,959,036, \$509,741, (\$4,316,827), (\$67,716), and (\$74,136), respectively). 2,064,928

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. 17,882,826

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	\$ (1,047,923)	
Deferred outflows of resources relating to pensions	6,885,608	
Net pension liability	<u>(38,991,660)</u>	(33,153,975)
Net		

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

Interest receivable on loans receivable		<u>2,859,034</u>
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Net position of governmental activities \$ 73,010,751

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, 2019**

	General	Successor Housing Authority	Housing
REVENUES			
Taxes	\$ 22,719,947	\$ -	\$ -
Licenses, permits, and fees	1,446,905		
Fines and penalties	77,411		
Intergovernmental	2,800,295	8,970	119,344
Charges for services	5,114,871		
Other revenues	756,006	472,378	403,164
Total Revenues	<u>32,915,435</u>	<u>481,348</u>	<u>522,508</u>
EXPENDITURES			
Current:			
General government	4,170,570		
Public safety	19,752,786		
Public works	1,247,578		
Community development	1,577,470	239,130	121,784
Culture and recreation	4,432,466		
Capital outlay	933,248		
Debt service:			
Principal payments	104,070		
Interest and fiscal charges	25,471		
Total Expenditures	<u>32,243,659</u>	<u>239,130</u>	<u>121,784</u>
Excess of Revenues Over (Under) Expenditures	<u>671,776</u>	<u>242,218</u>	<u>400,724</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(205,391)</u>		
Total Other Financing Sources (Uses)	<u>(205,391)</u>		
Net Changes in Fund Balances	466,385	242,218	400,724
Fund Balances (Deficits), beginning of fiscal year	<u>5,476,258</u>	<u>1,544,959</u>	<u>748,406</u>
Fund Balances (Deficits), end of fiscal year	<u>\$ 5,942,643</u>	<u>\$ 1,787,177</u>	<u>\$ 1,149,130</u>

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

Gas Tax/ State Highway	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 22,719,947
	64,198	1,511,103
	421,339	498,750
3,999,041	953,807	7,881,457
	10,308	5,125,179
	37,761	1,669,309
<u>3,999,041</u>	<u>1,487,413</u>	<u>39,405,745</u>
		4,170,570
	196,751	19,949,537
1,299,712	1,507,186	4,054,476
		1,938,384
		4,432,466
693,354	374,750	2,001,352
	75,532	179,602
	5,182	30,653
<u>1,993,066</u>	<u>2,159,401</u>	<u>36,757,040</u>
<u>2,005,975</u>	<u>(671,988)</u>	<u>2,648,705</u>
		(205,391)
		(205,391)
2,005,975	(671,988)	2,443,314
<u>(1,729,421)</u>	<u>540,591</u>	<u>6,580,793</u>
<u>\$ 276,554</u>	<u>\$ (131,397)</u>	<u>\$ 9,024,107</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, 2019**

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

NET CHANGE IN FUND BALANCES **\$ 2,443,314**

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	\$ 2,766,581	
Depreciation expense not reported in governmental funds	<u>(2,466,681)</u>	299,900

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		179,602
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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 accrued interest on notes receivable.

Interest receivable	143,461	
Notes receivable	<u>(136,794)</u>	6,667

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

Interest payable	1,855	
Compensated absences	<u>153,923</u>	155,778

Unavailable revenue is not recognized as revenue in the governmental funds in the current fiscal year since the revenue is not available to fund current fiscal year expenditures.		(468,513)
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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		1,360,477
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Changes in LERS 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.		10,546
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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.		<u>(653,512)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 3,334,259</u>
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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, 2019**

ASSETS	Enterprise Funds		
	Water	Wastewater	Harbor
Current Assets:			
Cash and investments	\$ 676,552	\$ 4,377,705	\$ -
Cash and investments with fiscal agents	2,700,826	1,057,157	
Accounts receivable - net	1,662,790	4,393,620	
Prepaid items			184,195
Land held for resale			4,488,678
Due from other funds	7,537,908		
Total current assets	12,578,076	9,828,482	4,672,873
Noncurrent Assets:			
Advances to RDA Successor Agency	42,917	279,598	
Total noncurrent assets	42,917	279,598	
Capital Assets:			
Nondepreciable			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	1,566,569	4,932,740	
Total nondepreciable capital assets	2,618,684	10,005,882	5,155,468
Depreciable			
Infrastructure	18,884,602	40,101,635	
Buildings	723,908	6,264,431	4,660,614
Improvements	7,157,959	23,855,409	10,588,465
Equipment	16,109,850	33,055,791	1,203,832
Total depreciable capital assets	42,876,319	103,277,266	16,452,911
Less accumulated depreciation	(17,692,159)	(49,383,308)	(9,744,633)
Net depreciable capital assets	25,184,160	53,893,958	6,708,278
Total capital assets, net	27,802,844	63,899,840	11,863,746
Total capital and noncurrent assets	27,845,761	64,179,438	11,863,746
Total Assets	40,423,837	74,007,920	16,536,619
DEFERRED OUTFLOWS OF RESOURCES			
Pensions related	640,521	924,958	130,780
Deferred loss on debt refunding	216,935		
Total deferred outflows of resources	857,456	924,958	130,780
Total Assets and Deferred Outflows of Resources	41,281,293	74,932,878	16,667,399

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	
\$ -	\$ -	\$ -	\$ 5,054,257	\$ 2,439,622
			3,757,983	
1,748,580	196,769		8,001,759	10,839
			184,195	51,261
			4,488,678	
			7,537,908	
1,748,580	196,769		29,024,780	2,501,722
			322,515	
			322,515	
		418,075	11,698,800	
		6,839	6,506,148	
		424,914	18,204,948	
			58,986,237	
		191,159	11,840,112	675,550
		344,115	41,945,948	34,930
116,950			50,486,423	10,397,069
116,950		535,274	163,258,720	11,107,549
(115,445)		(286,571)	(77,222,116)	(9,148,513)
1,505		248,703	86,036,604	1,959,036
1,505		673,617	104,241,552	1,959,036
1,505		673,617	104,564,067	1,959,036
1,750,085	196,769	673,617	133,588,847	4,460,758
195,091			1,891,350	509,741
			216,935	
195,091			2,108,285	509,741
1,945,176	196,769	673,617	135,697,132	4,970,499

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2019
 (Continued)**

LIABILITIES	Enterprise Funds		
	Water	Wastewater	Harbor
Current Liabilities:			
Accounts payable	\$ 659,141	\$ 448,630	\$ 64,458
Payroll and related liabilities	45,658	70,265	9,418
Deposits payable	338,028		38,287
Due to other funds			3,267,119
Unearned revenue	277		
Accrued interest payable	184,612	197,547	56,616
Claims and judgments payable			
Loan payable, current portion			112,225
Bonds payable, current portion	665,000	500,000	
Compensated absences, current portion	98,020	126,371	14,137
Unamortized premium, current portion	16,705	5,344	
Total current liabilities	2,007,441	1,348,157	3,562,260
Noncurrent Liabilities:			
Loan payable			1,266,825
Bonds payable	15,255,000	15,790,000	
Net pension liability	5,424,361	7,833,158	1,107,535
Unamortized premium	183,604	168,895	
Total noncurrent liabilities	20,862,965	23,792,053	2,374,360
Total Liabilities	22,870,406	25,140,210	5,936,620
DEFERRED INFLOWS OF RESOURCES			
Pensions related	85,090	122,875	17,373
Total deferred inflows of resources	85,090	122,875	17,373
Total Liabilities and Deferred Inflows of Resources	22,955,496	25,263,085	5,953,993
NET POSITION			
Net investment in capital assets	11,682,535	47,435,601	10,484,696
Restricted for debt service	2,917,761	1,057,157	
Unrestricted	3,725,501	1,177,035	228,710
Total Net Position	\$ 18,325,797	\$ 49,669,793	\$ 10,713,406

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	
\$ 1,235	\$ 196,769	\$ -	\$ 1,370,233	\$ 178,767
15,492			140,833	35,199
			376,315	
454,235		25,019	3,746,373	107,673
			277	
			438,775	115,155
			112,225	
			1,165,000	
32,195			270,723	74,136
			22,049	
<u>503,157</u>	<u>196,769</u>	<u>25,019</u>	<u>7,642,803</u>	<u>510,930</u>
			1,266,825	
1,652,164			31,045,000	4,316,827
			16,017,218	
			352,499	
<u>1,652,164</u>			<u>48,681,542</u>	<u>4,316,827</u>
<u>2,155,321</u>	<u>196,769</u>	<u>25,019</u>	<u>56,324,345</u>	<u>4,827,757</u>
25,917			251,255	67,716
<u>25,917</u>			<u>251,255</u>	<u>67,716</u>
<u>2,181,238</u>	<u>196,769</u>	<u>25,019</u>	<u>56,575,600</u>	<u>4,895,473</u>
1,505		673,617	70,277,954	1,959,036
			3,974,918	
(237,567)		(25,019)	4,868,660	(1,884,010)
<u>\$ (236,062)</u>	<u>\$ -</u>	<u>\$ 648,598</u>	<u>\$ 79,121,532</u>	<u>\$ 75,026</u>

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 8,924,441	\$ 9,993,510	\$ 774,550
Other operating revenues	38,708	1,905,742	
Intergovernmental			224,282
Total Operating Revenues	8,963,149	11,899,252	998,832
Operating Expenses:			
Purchase of water	3,129,597		
Maintenance and operation	3,392,336	6,986,025	2,799,903
Administration	1,087,079	622,213	35,567
Insurance costs and claims	103,432	98,174	14,619
Depreciation	951,923	2,060,795	325,127
Total Operating Expenses	8,664,367	9,767,207	3,175,216
Operating Income (Loss)	298,782	2,132,045	(2,176,384)
Non-Operating Revenues (Expenses):			
Gain (loss) on sales of capital assets			113,083
Investment income	164,309	104,238	
Interest expense	(772,599)	(799,830)	
Total Non-Operating Revenue (Expense)	(608,290)	(695,592)	113,083
Income (Loss) Before Transfers	(309,508)	1,436,453	(2,063,301)
Transfers in			
Change in Net Position	(309,508)	1,436,453	(2,063,301)
Net Position (Deficit), beginning of fiscal year	18,635,305	48,233,340	12,776,707
Net Position (Deficit), end of fiscal year	\$ 18,325,797	\$ 49,669,793	\$ 10,713,406

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	
\$ 1,238,637 104,488	\$ 540	\$ - 13,507	\$ 20,931,678 2,062,445 224,282	\$ 6,237,239 19,798
1,343,125	540	13,507	23,218,405	6,257,037
1,931,074 49,794 9,737 5,941	640,997	128,697 11,834	3,129,597 15,879,032 1,794,653 225,962 3,355,620	4,678,377 1,752,902 479,270
1,996,546	640,997	140,531	24,384,864	6,910,549
(653,421)	(640,457)	(127,024)	(1,166,459)	(653,512)
	(176,943)		(176,943)	
	(1,114)		381,630 (1,573,543)	
	(178,057)		(1,368,856)	
(653,421)	(818,514)	(127,024)	(2,535,315)	(653,512)
	205,391		205,391	
(653,421)	(613,123)	(127,024)	(2,329,924)	(653,512)
417,359	613,123	775,622	81,451,456	728,538
\$ (236,062)	\$ -	\$ 648,598	\$ 79,121,532	\$ 75,026

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		
	Water	Wastewater	Harbor
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 8,165,864	\$ 10,330,668	\$ 1,007,328
Payments to suppliers and users	(4,535,531)	(3,536,501)	(2,414,841)
Payments to employees	(1,838,294)	(2,763,591)	(417,106)
Net Cash Provided (Used) by Operating Activities	<u>1,792,039</u>	<u>4,030,576</u>	<u>(1,824,619)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in			
Due to/from other funds	593,500	410,082	1,875,755
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>593,500</u>	<u>410,082</u>	<u>1,875,755</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets	(1,360,943)	(2,282,228)	(52,127)
Interest paid	(764,588)	(813,574)	(4,700)
Principal payments - long-term debt	(645,000)	(480,000)	(107,392)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,770,531)</u>	<u>(3,575,802)</u>	<u>(164,219)</u>
Cash Flows from Investing Activities:			
Interest received	164,309	104,238	113,083
Net Cash Provided (Used) by Investing Activities	<u>164,309</u>	<u>104,238</u>	<u>113,083</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(220,683)	969,094	
Cash and Cash Equivalents, July 1, 2018	3,598,061	4,465,768	
Cash and Cash Equivalents, June 30, 2019	<u>\$ 3,377,378</u>	<u>\$ 5,434,862</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 676,552	\$ 4,377,705	\$ -
Cash and investments with fiscal agents	2,700,826	1,057,157	
Total Cash and Cash Equivalents	<u>\$ 3,377,378</u>	<u>\$ 5,434,862</u>	<u>\$ -</u>
Non-cash activities - amortization of premium	\$ (16,705)	\$ (5,344)	\$ -
Non-cash activities - amortization of deferred loss	34,709		
Non-cash activities - gain (loss) on sales of capital assets			
Total Non-cash activities	<u>\$ 18,004</u>	<u>\$ (5,344)</u>	<u>\$ -</u>

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 2,122,907	\$ 2,217,460	\$ 13,507	\$ 23,857,734	\$ 6,258,349
(1,057,501)	(572,532)	(128,697)	(12,245,603)	(4,712,377)
(544,684)			(5,563,675)	(1,432,367)
520,722	1,644,928	(115,190)	6,048,456	113,605
	205,391		205,391	
(520,722)	(1,849,205)	25,019	534,429	107,673
(520,722)	(1,643,814)	25,019	739,820	107,673
	(1,114)		(3,695,298)	(728,313)
			(1,583,976)	
			(1,232,392)	
	(1,114)		(6,511,666)	(728,313)
			381,630	
			381,630	
		(90,171)	658,240	(507,035)
		90,171	8,154,000	2,946,657
\$ -	\$ -	\$ -	\$ 8,812,240	\$ 2,439,622
\$ -	\$ -	\$ -	\$ 5,054,257	\$ 2,439,622
			3,757,983	
\$ -	\$ -	\$ -	\$ 8,812,240	\$ 2,439,622
\$ -	\$ -	\$ -	\$ (22,049)	\$ -
			34,709	
	(176,943)		(176,943)	
\$ -	\$ (176,943)	\$ -	\$ (164,283)	\$ -

(Continued)

**CITY OF EUREKA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Continued)**

	Enterprise Funds		
	Water	Wastewater	Harbor
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 298,782	\$ 2,132,045	\$ (2,176,384)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	951,923	2,060,795	325,127
(Increase) Decrease in Operating Assets and Deferred Outflows:			
Accounts receivable	(785,319)	(1,568,584)	7,738
Deferred outflows of resources - pension related	169,993	223,044	33,898
Increase (Decrease) in Operating Liabilities and Deferred Inflows:			
Accounts payable	176,644	(372,249)	(28,701)
Deposits payable	(11,441)		758
Unearned revenue	(525)		
Payroll and related liabilities	(823)	(1,465)	(1,685)
Deferred inflows of resources - pension related	5,263	9,809	1,154
Net pension liability	1,002,075	1,569,485	209,027
Claims and judgments payable			
Compensated absences	(14,533)	(22,304)	(11,356)
Net Cash Provided (Used) by Operating Activities	\$ 1,792,039	\$ 4,030,576	\$ (1,824,619)

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	
\$ (653,421)	\$ (640,457)	\$ (127,024)	\$ (1,166,459)	\$ (653,512)
5,941		11,834	3,355,620	479,270
779,782	2,216,920		650,537	1,312
40,066			467,001	111,698
(30,832)	68,465		(186,673)	(673,690)
			(10,683)	
			(525)	
3,348			(625)	(951)
2,757			18,983	6,512
369,109			3,149,696	926,161
				(59,538)
3,972			(44,221)	7,604
<u>\$ 520,722</u>	<u>\$ 1,644,928</u>	<u>\$ (115,190)</u>	<u>\$ 6,048,456</u>	<u>\$ 113,605</u>

**CITY OF EUREKA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019**

	Agency Fund	Trust Funds	
		Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
	Trust Holding		
ASSETS			
Cash and investments	\$ 174,206	\$ 17,085	\$ 380,683
Cash and investments with Fiscal Agent, Restricted			136
Capital assets, not being depreciated			53,702
Capital assets, net of accumulated depreciation			118,061
Total Assets	<u>\$ 174,206</u>	<u>17,085</u>	<u>569,182</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred loss on debt refunding			1,083,117
LIABILITIES			
Accounts payable	\$ -	1,223	1,844
Payroll payable		8,851	1,293
Interest payable			101,438
Deposits payable	174,206		
Noncurrent Liabilities:			
Due within one year			1,838,027
Due in more than one year			14,929,684
Total Liabilities	<u>\$ 174,206</u>	<u>10,074</u>	<u>16,872,286</u>
Net Position (Deficit)			
Held in trust for pension benefits		7,011	
Unrestricted			(15,219,987)
Total Net Position (Deficit)		<u>\$ 7,011</u>	<u>\$ (15,219,987)</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, 2019**

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 141,572	\$ -
Taxes		3,273,413
Investment income		895
Total Additions	<u>141,572</u>	<u>3,274,308</u>
DEDUCTIONS		
Benefits	253,938	
Administration		35,993
Depreciation		9,081
Community development		274,282
Interest expense		631,646
Total Deductions	<u>253,938</u>	<u>951,002</u>
Change in net position	(112,366)	2,323,306
Net Position (Deficit) - beginning of fiscal year	<u>119,377</u>	<u>(17,543,293)</u>
Net Position (Deficit) - end of fiscal year	<u>\$ 7,011</u>	<u>\$ (15,219,987)</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

Joint Ventures

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

HUMBOLDT TRANSIT AUTHORITY (Continued)

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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019

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, 2019

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, 2019

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 **Gas Tax/State Highway funds** 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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019

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, 2019 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, 2019

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

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. No interest was capitalized for fiscal year ended June 30, 2019.

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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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)

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.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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)

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

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 Firemen’s and Policemen’s Retirement System (Plans), 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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 88

For the fiscal year ended June 30, 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Please See Note 8 for long term liabilities disclosures in accordance with this Statement.

Pending Accounting Standards:

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provision of this statement is effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement is effective for fiscal years beginning after December 31, 2022.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provision of this statement is effective for fiscal years beginning after June 15, 2022.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the following funds reflected expenditures in excess of budgeted amounts:

<u>Non-major funds</u>	<u>Amount of Excess</u>
Special Revenue Funds:	
Parking	
Public safety	\$ 8,515
Public works	3,054
Demolition Projects	
Public works	193,566

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

C. Deficit fund equity/net position

Nonmajor funds

Deficit fund balances exist in the Habitat Acquisition and Restoration Special Revenue Fund of \$20,788, Parking Special Revenue Fund of \$70,542, Demolition Projects Special Revenue Fund of \$2,126,880, and Airport Special Revenue Fund of \$435,349. 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 net position exist in the Risk Management Internal Service Fund of \$209,754, Information Technology Operations Internal Service Fund of \$392,927, and Facilities Operations Internal Service Fund of \$1,031,894. 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, 2019 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	\$ 16,039,500	\$ 571,974	\$ 16,611,474
Cash and investments with fiscal agents	3,757,983	136	3,758,119
Total Cash and Investments	<u>\$ 19,797,483</u>	<u>\$ 572,110</u>	<u>\$ 20,369,593</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 CASH AND INVESTMENTS (Continued)

Cash and investments at June 30, 2019 consisted of the following:

Cash on hand	\$	9,390
Deposits with financial institutions		5,136,817
Investments		<u>15,223,386</u>
 Total Cash and Investments	 \$	 <u>20,369,593</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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	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, 2019

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, 2019

NOTE 3 CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Interest Rate Risk (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	\$ 11,465,267	\$ 11,465,267	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Mutual Funds	3,758,119	3,758,119			
Total	\$ 15,223,386	\$ 15,223,386	\$ -	\$ -	\$ -

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	\$ 11,465,267	N/A	\$ -	\$ -	\$ -	\$ -	\$ 11,465,267
Held by Bond Trustees:							
Money Market Mutual Funds	3,758,119	N/A					3,758,119
Total	\$ 15,223,386		\$ -	\$ -	\$ -	\$ -	\$ 15,223,386

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, all of the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

H. 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, 2019

NOTE 3 CASH AND INVESTMENTS (Continued)

I. 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 pooled investments have the following recurring fair value measurements as of June 30, 2019:

<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>
Investments Measured at Amortized Cost				
LAIF	\$ 11,465,267	\$ -	\$ -	\$ -
Total Pooled Investments	<u>\$ 11,465,267</u>			

The City also had investments in 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>
Governmental Funds:	
General	\$ 5,567,218
Housing Authority	2,849
Successor Housing Authority	125,134
Gas Tax/State Highway	1,431,632
Nonmajor Governmental Funds	<u>498,647</u>
Total - Governmental Funds	<u>\$ 7,625,480</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the various components of unavailable revenue are as follows:

Unavailable Revenue/Deferred Inflows of Resources:

Governmental Funds:

General	\$ 395,411
Successor Housing Authority	6,786,639
Housing	<u>10,700,776</u>
Total Unearned Revenues	<u>\$ 17,882,826</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>
Enterprise Funds:	
Water	\$ 1,662,790
Wastewater	4,393,620
Building	1,748,580
Transit	<u>196,769</u>
Total - Enterprise Funds	<u>\$ 8,001,759</u>

Receivables of the Water, Wastewater, Transit, and Building funds are reported net of nominal uncollectible accounts in the amount of \$31,744, \$30,268, \$22,233, and \$1,658,697 respectively.

Notes and Loans Receivable

The following schedule summarizes notes and loans receivable as of June 30, 2019:

Successor Housing Authority Fund Notes Receivable	\$ 6,786,639
Housing Special Revenue Fund Loans Receivable	<u>10,700,776</u>
Total Notes Receivable, Governmental Funds	<u>\$ 17,487,415</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, 2019, the accrued interest balance of these notes and loans receivable is \$2,859,034.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019 is as follows:

A. Due to/ from other fund

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Major Water Enterprise Fund	Major Gas Tax/State Highway Special Revenue Fund	\$ 803,167
	Nonmajor Habitat Acquisition and Restoration Special Revenue Fund	12,586
	Nonmajor Parking Special Revenue Fund	61,316
	Nonmajor Demolition Projects Special Revenue Fund	2,386,618
	Nonmajor Airport Projects Special Revenue Fund	420,175
	Major Harbor Enterprise Fund	3,267,119
	Major Building Enterprise Fund	454,235
	Major Golf Enterprise Fund	25,019
	Risk Management Internal Service Fund	107,673
		<u>\$ 7,537,908</u>

B. Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

Interfund transfers during the fiscal year ended June 30, 2019 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Transit Enterprise Fund	General Fund	<u>\$ 205,391</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2019 is as follows:

	Balance at July 1, 2018	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 4,314,109	\$ 121,215	\$ -	\$ -	\$ 4,435,324
Infrastructure	24,025,188	56,800			24,081,988
Construction in progress	1,198,930	1,562,935		(642,695)	2,119,170
Artwork	236,795				236,795
Total capital assets, not being depreciated	<u>29,775,022</u>	<u>1,740,950</u>		<u>(642,695)</u>	<u>30,873,277</u>
Capital assets, being depreciated:					
Buildings	20,242,008				20,242,008
Improvements other than buildings	87,709,670	843,546			88,553,216
Machinery and equipment	19,261,867	869,386			20,131,253
Infrastructure	14,736,481	41,012		642,695	15,420,188
Total capital assets being depreciated	<u>141,950,026</u>	<u>1,753,944</u>		<u>642,695</u>	<u>144,346,665</u>
Less accumulated depreciation for:					
Buildings	(8,613,703)	(430,763)			(9,044,466)
Improvements other than buildings	(66,584,866)	(1,084,177)			(67,669,043)
Machinery and equipment	(15,338,583)	(916,224)			(16,254,807)
Infrastructure	(3,658,786)	(514,787)			(4,173,573)
Total accumulated depreciation	<u>(94,195,938)</u>	<u>(2,945,951)</u>			<u>(97,141,889)</u>
Total capital assets being depreciated, net	<u>47,754,088</u>	<u>(1,192,007)</u>		<u>642,695</u>	<u>47,204,776</u>
Governmental activities capital assets, net	<u>\$ 77,529,110</u>	<u>\$ 548,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,078,053</u>

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

Governmental Activities:	
General government	\$ 481,863
Public safety	538,785
Public works	1,224,453
Community development	280,166
Culture and recreation	420,684
Total depreciation expense - governmental activities	<u>\$ 2,945,951</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 CAPITAL ASSETS (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2019 is as follows:

	Balance at July 1, 2018	Additions	Reductions	Transfers / Adjustments	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	6,116,276	3,564,540		(3,174,668)	6,506,148
Total capital assets, not being depreciated	<u>17,815,076</u>	<u>3,564,540</u>		<u>(3,174,668)</u>	<u>18,204,948</u>
Capital assets, being depreciated:					
Buildings	11,840,112				11,840,112
Improvements other than buildings	41,945,948				41,945,948
Machinery and equipment	53,522,874	119,009	(3,155,460)		50,486,423
Infrastructure	55,799,820	11,749		3,174,668	58,986,237
Total capital assets being depreciated	<u>163,108,754</u>	<u>130,758</u>	<u>(3,155,460)</u>	<u>3,174,668</u>	<u>163,258,720</u>
Less accumulated depreciation for:					
Buildings	(6,707,748)	(243,738)			(6,951,486)
Improvements other than buildings	(23,219,405)	(749,038)			(23,968,443)
Machinery and equipment	(41,145,062)	(986,921)	2,978,517		(39,153,466)
Infrastructure	(5,772,798)	(1,375,923)			(7,148,721)
Total accumulated depreciation	<u>(76,845,013)</u>	<u>(3,355,620)</u>	<u>2,978,517</u>		<u>(77,222,116)</u>
Total capital assets being depreciated, net	<u>86,263,741</u>	<u>(3,224,862)</u>	<u>(176,943)</u>	<u>3,174,668</u>	<u>86,036,604</u>
Business-type activities capital assets, net	<u>\$ 104,078,817</u>	<u>\$ 339,678</u>	<u>\$ (176,943)</u>	<u>\$ -</u>	<u>\$ 104,241,552</u>

Depreciation was charged to business – type activities as follows:

Business-type Activities:

Water	\$ 951,923
Wastewater	2,060,795
Harbor	325,127
Building	5,941
Golf	<u>11,834</u>
Total depreciation expense - business-type activities	<u>\$ 3,355,620</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019 were \$453,587. From this same period, the contingent rentals totaled \$122,280.

NOTE 8 LONG-TERM LIABILITIES

A. Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Governmental Activities:					
Other long-term liabilities					
Compensated Absences	\$ 1,271,172	\$ 489,267	\$ (635,586)	\$ 1,124,853	\$ 562,427
Direct borrowings and placements					
Capital Leases	536,431		(179,602)	356,829	197,184
Total	\$ 1,807,603	\$ 489,267	\$ (815,188)	\$ 1,481,682	\$ 759,611
	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Business-type Activities:					
Other debt					
Series 2002B CSCDA Revenue Bonds	\$ 1,950,000	\$ -	\$ (155,000)	\$ 1,795,000	\$ 160,000
Series 2003A CSCDA Revenue Bonds	2,205,000		(155,000)	2,050,000	160,000
Series 2005C CSCDA Revenue Bonds	4,025,000		(425,000)	3,600,000	440,000
Series 2006A CSCDA Revenue Bonds	1,220,000		(65,000)	1,155,000	65,000
Wastewater Revenue Bonds Series 2011	14,565,000		(325,000)	14,240,000	340,000
Water Revenue Bonds Series 2012	9,370,000			9,370,000	
Total Bonds Payable	33,335,000		(1,125,000)	32,210,000	1,165,000
Bond Premium	396,597		(22,049)	374,548	22,049
Other long-term liabilities					
Compensated Absences	314,944	285,105	(329,326)	270,723	270,723
Direct borrowings and placements					
Intergovernmental Loan Payable	1,486,442		(107,392)	1,379,050	112,225
Total	\$ 35,532,983	\$ 285,105	\$ (1,583,767)	\$ 34,234,321	\$ 1,569,997

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

B. 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, 2019, the balance of this lease is \$125,701.

During fiscal year 2017-18, the City entered into a capital lease for a police RIMS system with a maximum value of \$383,325. As of June 30, 2019, the balance of this lease is \$231,128.

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, 2019, the total balance for all capital leases related to governmental activities is \$356,829.

Upon and during the continuance of an event of default, the principal of and interest accrued on all leases may be declared to be due and payable immediately.

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

Fiscal Year Ending June 30,	Governmental Activities Amount
2020	\$ 222,886
2021	76,665
2022	76,665
Minimum lease payments	376,216
Less amount representing interest	(19,387)
Present value of minimum lease payments	<u>\$ 356,829</u>

C. 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, 2019 was \$1,379,050.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

C. Intergovernmental Loan (Continued)

Business-type activities

Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately.

Future minimum debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2020	\$ 112,225	\$ 62,057	\$ 174,282
2021	117,275	57,007	174,282
2022	122,552	51,730	174,282
2023	128,067	46,215	174,282
2024	133,830	40,452	174,282
2025-2029	765,101	106,318	871,419
	<u>\$ 1,379,050</u>	<u>\$ 363,779</u>	<u>\$ 1,742,829</u>

D. 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, 2019 was \$1,795,000. Future debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2020	\$ 160,000	\$ 88,488	\$ 248,488
2021	170,000	80,238	250,238
2022	180,000	71,488	251,488
2023	190,000	62,238	252,238
2024	195,000	52,369	247,369
2025-2028	900,000	97,125	997,125
Totals	<u>\$ 1,795,000</u>	<u>\$ 451,946</u>	<u>\$ 2,246,946</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

D. 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, 2019 was \$2,050,000. Future debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2020	\$ 160,000	\$ 97,676	\$ 257,676
2021	170,000	89,013	259,013
2022	180,000	79,825	259,825
2023	190,000	70,113	260,113
2024	200,000	59,876	259,876
2025-2029	1,150,000	141,315	1,291,315
Totals	<u>\$ 2,050,000</u>	<u>\$ 537,818</u>	<u>\$ 2,587,818</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, 2019 was \$3,600,000. Future debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2020	\$ 440,000	\$ 169,000	\$ 609,000
2021	465,000	146,375	611,375
2022	490,000	122,500	612,500
2023	510,000	97,500	607,500
2024	540,000	71,250	611,250
2025-2026	1,155,000	58,375	1,213,375
Totals	<u>\$ 3,600,000</u>	<u>\$ 665,000</u>	<u>\$ 4,265,000</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

D. 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, 2019 was \$1,155,000. Future debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2020	\$ 65,000	\$ 52,128	\$ 117,128
2021	70,000	49,300	119,300
2022	75,000	46,219	121,219
2023	75,000	42,751	117,751
2024	80,000	38,876	118,876
2025-2029	460,000	129,589	589,589
2030-2032	330,000	22,727	352,727
Totals	<u>\$ 1,155,000</u>	<u>\$ 381,590</u>	<u>\$ 1,536,590</u>

The Wastewater Revenue Bonds, Series 2011 were issued in the amount of \$16,280,000, principal is 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, 2019 was \$14,240,000.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

D. Revenue Bonds (Continued)

Business-type activities (Continued)

Fiscal Year(s) Ending June 30,	Wastewater Revenue Bonds Series 2011		
	Principal	Interest	Total
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	400,000	637,482	1,037,482
2024	420,000	616,982	1,036,982
2025-2029	2,435,000	2,743,656	5,178,656
2030-2034	3,080,000	2,095,644	5,175,644
2035-2039	3,940,000	1,233,500	5,173,500
2040-2042	2,885,000	221,125	3,106,125
Totals	<u>\$ 14,240,000</u>	<u>\$ 9,573,835</u>	<u>\$ 23,813,835</u>

The Water Revenue Bonds, Series 2012 were issued in the amount of \$9,370,000, principal is 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, 2019 was \$9,370,000. Future debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Water Revenue Bonds Series 2012		
	Principal	Interest	Total
2020	\$ -	\$ 424,800	\$ 424,800
2021		424,800	424,800
2022		424,800	424,800
2023		424,800	424,800
2024		424,800	424,800
2025-2029	370,000	2,115,600	2,485,600
2030-2034	2,365,000	1,797,650	4,162,650
2035-2039	3,360,000	1,136,850	4,496,850
2040-2043	3,275,000	305,250	3,580,250
Totals	<u>\$ 9,370,000</u>	<u>\$ 7,479,350</u>	<u>\$ 16,849,350</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 LONG-TERM LIABILITIES (Continued)

D. Revenue Bonds (Continued)

Business-type activities (Continued)

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2019 are as follows:

Fiscal Year(s) Ending June 30,	Business-type			Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	
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	965,000	400,000		1,365,000
2024	1,015,000	420,000		1,435,000
2025-2029	3,665,000	2,435,000	370,000	6,470,000
2030-2034	330,000	3,080,000	2,365,000	5,775,000
2035-2039		3,940,000	3,360,000	7,300,000
2040-2043		2,885,000	3,275,000	6,160,000
	<u>\$ 8,600,000</u>	<u>\$ 14,240,000</u>	<u>\$ 9,370,000</u>	<u>\$ 32,210,000</u>

E. 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, 2019:

Governmental Funds	\$ 1,050,717
Internal Service Funds	<u>74,136</u>
Subtotal Governmental Activities	1,124,853
Business-type Funds	<u>270,723</u>
Total	<u>\$ 1,395,576</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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 2018-19, 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, 2019

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, 2019:

Total Assets	\$ 31,189,650
Total Deferred Outflows	659,765
Total Liabilities	30,229,545
Total Deferred Inflows	216,372
Total Net Position	1,403,498
Total Revenues	26,443,540
Total Expenses	25,661,506
Increase in Net Position	782,034

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, 2019

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 JUDGMENTS

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, 2019 and June 30, 2018:

	General Liability Insurance	Worker's Compensation Insurance	Total
Accrued claims payable, June 30, 2017	\$ (187,423)	\$ (86,726)	\$ (274,149)
Provision for insured events payments	757,547	4,526,072	5,283,619
Payments made to public entity risk pool	(257,756)	(3,691,097)	(3,948,853)
Direct payments made by the City	(407,958)	(827,352)	(1,235,310)
Accrued claims payable, June 30, 2018	\$ (95,590)	\$ (79,103)	\$ (174,693)
Provision for insured events payments	976,871	3,440,209	4,417,080
Payments made to public entity risk pool	(391,994)	(2,475,965)	(2,867,959)
Direct payments made by the City	(574,442)	(915,141)	(1,489,583)
Accrued claims payable, June 30, 2019	\$ (85,155)	\$ (30,000)	\$ (115,155)

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

Benefits provided

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, 2019, LERS membership consisted of 10 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.

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.

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Count
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	
Active employees	
Total	10

Contributions - 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. For the fiscal year ended June 30, 2019, the City paid \$240,006 for retiree benefits.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Net Pension Liability

The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

- Inflation: 2.50%
- Discount Rate: 3.13%
- Salary increases: 1.00%
- Mortality rates were based on CalPERS tables.

Discount Rate – The discount rate used to measure the total pension liability was 3.13 percent based on the Fidelity municipal government-obligation AA-rated 20-year bond index rate.

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

	Increase (Decrease)
	Total Pension
	Liability
	\$
Balance at June 30, 2018	2,271,154
Changes during the fiscal year:	
Service Cost	-
Interest on the Total Pension Liability	77,872
Change of Assumptions	75,687
Differences between Expected and Actual Experience	75,901
Contribution from the Employer	-
Contribution from the Employees	-
Net Investment Income	-
Benefit Payments	(240,006)
Administrative Expense	-
	(10,546)
Net Changes	(10,546)
Balance at June 30, 2019	\$ 2,260,608

**CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Local Employees' Retirement System (LERS) (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:

1% Decrease		2.13%
Net Pension Liability	\$	2,430,660
Current Discount Rate		3.13%
Net Pension Liability	\$	2,260,608
1% Increase		4.13%
Net Pension Liability	\$	2,110,909

Pension Expense and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pension – For the fiscal year ended June 30, 2019, the City recognized a pension expense of \$10,546. For June 30, 2020, the City has no deferred outflows of resources and deferred inflows of resources related to pension that need to be reported.

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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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)

The Plans' provisions and benefits in effect at June 30, 2019, 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	9.636%	9.636%	9.636%

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	289
Inactive employees entitled to but not yet receiving benefits	196
Active employees	161
Total	646

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

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

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 ¹	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.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of 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 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. 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.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Year 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

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

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

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 101,156,254	\$ 64,180,616	\$ 36,975,638
Changes during the fiscal year:			
Service Cost	1,427,407	-	1,427,407
Interest on the Total Pension Liability	7,040,707	-	7,040,707
Change of Assumptions	(607,791)	-	(607,791)
Differences between Expected and Actual Experience	157,538	-	157,538
Plan to Plan Resource Movement	-	(28,822)	28,822
Contribution from the Employer	-	2,749,624	(2,749,624)
Contribution from the Employees	-	629,208	(629,208)
Net Investment Income	-	5,381,122	(5,381,122)
Benefit Payments	(5,896,568)	(5,896,568)	-
Administrative Expense	-	(289,934)	289,934
Net Changes	2,121,293	2,544,630	(423,337)
Balance at June 30, 2018	\$ 103,277,547	\$ 66,725,246	\$ 36,552,301

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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 49,315,183
Current Discount Rate	7.15%
Net Pension Liability	\$ 36,552,301
1% Increase	8.15%
Net Pension Liability	\$ 25,928,587

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, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Agent Multiple-Employer Defined Benefit Pension Plan (Continued)

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

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$1,943,286. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,135,513	\$ -
Changes of assumptions	896,738	(382,683)
Differences between expected and actual experiences	99,191	(190,699)
Net differences between projected and actual earnings on plan investments	184,739	
Total	\$ 4,316,181	\$ (573,382)

\$3,135,513 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		
2020	\$	1,384,375
2021		76,784
2022		(673,420)
2023		(180,453)
Total	\$	607,286

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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	9.000%	12.250%
Required employer contribution rates	20.310%	12.729%

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, 2019, the contributions recognized as a reduction to the net pension liability for the plan was \$1,765,194.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the City reported net pension liability for its proportionate share of the net pension liability was \$18,456,577.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	<u>Safety - Police</u>
Proportion - June 30, 2017	0.31038%
Proportion - June 30, 2018	0.31455%
Change - Increase (Decrease)	<u>0.00417%</u>

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$1,376,288. At June 30, 2019, 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	\$ 396,570	\$ (1,504)
Changes of assumptions	1,810,910	(244,324)
Changes of employer's proportions		(381,723)
Net difference between projected and actual earnings on pension plan investments	124,960	
Changes in proportion and differences between City contributions and proportionate share of contributions	76,964	(98,245)
City contributions subsequent to the measurement date	2,051,373	
	<u>\$ 4,460,777</u>	<u>\$ (725,796)</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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)

\$2,051,373 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, 2020. 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		
2020	\$	1,524,690
2021		847,291
2022		(560,534)
2023		(127,839)
	\$	<u>1,683,608</u>

	<u>Safety - Police</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.30%-14.20%
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, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Cost-Sharing Employer Defined Benefit Pension Plan (Continued)

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

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

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

In determining the long-term expected rate of return, 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, 2019

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 (a)	Safety - Police		
	Assumed Asset Allocation	Real Return Year 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; and inflation assets are included in both global equity securities and global debt securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% 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:

	Safety - Police
1% Decrease	6.15%
Net Pension Liability	\$ 26,693,815
Current Discount Rate	7.15%
Net Pension Liability	\$ 18,456,577
1% Increase	8.15%
Net Pension Liability	\$ 11,707,636

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

Subsequent Events - In the December 2016 and April 2017 meetings, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2019. The change in discount rate will affect the contribution rates for employers beginning in fiscal year 2020 and result in increases to employer's normal costs and unfunded actuarial liabilities.

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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 \$23,418,585 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	Gas Tax/State Highway	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepaid expenditures	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Total Nonspendable	15,000					15,000
<u>Restricted for:</u>						
Housing		1,787,177	1,149,130			2,936,307
Law enforcement					2,150,349	2,150,349
Public health					209,791	209,791
Road improvements				276,554	162,022	438,576
Total Restricted		1,787,177	1,149,130	276,554	2,522,162	5,735,023
Unassigned	5,927,643				(2,653,559)	3,274,084
Total Fund Balances	\$ 5,942,643	\$ 1,787,177	\$ 1,149,130	\$ 276,554	\$ (131,397)	\$ 9,024,107

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, 2019

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, 2019

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

Capital Asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019
Capital assets, not being depreciated:				
Artwork	\$ 53,702	\$ -	\$ -	\$ 53,702
Total capital assets, not being depreciated	53,702			53,702
Capital assets, being depreciated:				
Machinery and equipment	181,628			181,628
Total capital assets being depreciated	181,628			181,628
Less accumulated depreciation for:				
Machinery and equipment	(54,486)	(9,081)		(63,567)
Total accumulated depreciation	(54,486)	(9,081)		(63,567)
Total capital assets being depreciated, net	127,142	(9,081)		118,061
Capital assets, net	\$ 180,844	\$ (9,081)	\$ -	\$ 171,763

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Bonds Payable					
2017 Tax Allocation Refunding Bonds	\$ 17,280,000	\$ -	\$ (1,755,000)	\$ 15,525,000	\$ 1,785,000
Total Bonds Payable	17,280,000		(1,755,000)	15,525,000	1,785,000
Bond Premium	973,223		(53,027)	920,196	53,027
Advance payable to City	762,081		(439,566)	322,515	
Total	\$ 19,015,304	\$ -	\$ (2,247,593)	\$ 16,767,711	\$ 1,838,027

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

The outstanding principal balance of the bonds at June 30, 2019, is \$15,525,000.

Future minimum debt service requirements to maturity are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	1,985,000	369,725	2,354,725
2024	2,080,000	268,100	2,348,100
2025-2029	2,070,000	870,400	2,940,400
2030-2034	2,310,000	489,257	2,799,257
2035-2037	1,590,000	87,907	1,677,907
	<u>\$ 15,525,000</u>	<u>\$ 3,706,439</u>	<u>\$ 19,231,439</u>

CITY OF EUREKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

Advances to/from City of Eureka

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, 2019 was \$42,917.

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, 2019 was \$279,598.

NOTE 16 SUBSEQUENT EVENTS

Subsequent to year-end, the City may be negatively impacted by the effects of the worldwide coronavirus pandemic. The City is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the City's financial position is not known.

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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 23,231,500	\$ 23,231,500	\$ 22,719,947	\$ (511,553)
Licenses, permits, and fees	1,392,800	1,392,800	1,446,905	54,105
Fines and penalties	210,500	210,500	77,411	(133,089)
Intergovernmental	2,419,000	2,419,000	2,800,295	381,295
Charges for services	4,516,887	4,516,887	5,114,871	597,984
Other revenues	174,300	174,300	756,006	581,706
Total Revenues	<u>31,944,987</u>	<u>31,944,987</u>	<u>32,915,435</u>	<u>970,448</u>
Expenditures:				
General government-				
Council	126,916	126,916	120,259	6,657
Mayor	34,249	34,249	25,825	8,424
City Manager	313,086	313,086	300,845	12,241
City Clerk	320,573	320,573	309,833	10,740
Human Resources	515,413	515,413	485,445	29,968
Finance	790,913	790,913	754,021	36,892
City Attorney	585,802	585,802	490,349	95,453
Non-departmental	1,722,800	1,722,800	1,683,993	38,807
Public safety-				
Police	13,479,573	13,479,573	12,952,081	527,492
Fire	6,849,089	6,849,089	6,800,705	48,384
Public works-				
Engineering	341,286	343,086	362,737	(19,651)
Maintenance	909,475	909,475	884,841	24,634
Community development	1,584,388	1,584,388	1,577,470	6,918
Culture and recreation	4,234,674	4,234,674	4,432,466	(197,792)
Capital outlay	616,000	744,400	933,247	(188,847)
Debt service -				
Principal payments	116,023	116,023	120,749	(4,726)
Interest and fiscal charges	13,519	13,519	8,793	4,726
Total Expenditures	<u>32,553,779</u>	<u>32,683,979</u>	<u>32,243,659</u>	<u>440,320</u>
Excess of revenues over (under) expenditures	<u>(608,792)</u>	<u>(738,992)</u>	<u>671,776</u>	<u>1,410,768</u>
Other Financing Sources (Uses):				
Transfers out	<u>(342,000)</u>	<u>(342,000)</u>	<u>(205,391)</u>	<u>136,609</u>
Total Other Financing Sources (Uses)	<u>(342,000)</u>	<u>(342,000)</u>	<u>(205,391)</u>	<u>136,609</u>
Net changes in fund balance	(950,792)	(1,080,992)	466,385	1,547,377
Fund Balance, beginning of fiscal year	<u>5,476,258</u>	<u>5,476,258</u>	<u>5,476,258</u>	
Fund Balance, end of fiscal year	<u>\$ 4,525,466</u>	<u>\$ 4,395,266</u>	<u>\$ 5,942,643</u>	<u>\$ 1,547,377</u>

**CITY OF EUREKA
SUCCESSOR HOUSING AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 8,970	\$ 8,970
Other revenues			472,378	472,378
Total Revenues			481,348	481,348
Expenditures:				
Current:				
Community development	642,594	642,594	239,130	403,464
Total Expenditures	642,594	642,594	239,130	403,464
Excess of Revenues Over (Under) Expenditures	(642,594)	(642,594)	242,218	884,812
Fund Balance, beginning of fiscal year	1,544,959	1,544,959	1,544,959	
Fund Balance, end of fiscal year	<u>\$ 902,365</u>	<u>\$ 902,365</u>	<u>\$ 1,787,177</u>	<u>\$ 884,812</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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 119,344	\$ 69,344
Other revenues			403,164	403,164
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>522,508</u>	<u>472,508</u>
Expenditures:				
Current:				
Community development	<u>361,035</u>	<u>361,035</u>	<u>121,784</u>	<u>239,251</u>
Total Expenditures	<u>361,035</u>	<u>361,035</u>	<u>121,784</u>	<u>239,251</u>
Excess of Revenues Over (Under) Expenditures	(311,035)	(311,035)	400,724	711,759
Fund Balance, beginning of fiscal year	<u>748,406</u>	<u>748,406</u>	<u>748,406</u>	
Fund Balance, end of fiscal year	<u><u>\$ 437,371</u></u>	<u><u>\$ 437,371</u></u>	<u><u>\$ 1,149,130</u></u>	<u><u>\$ 711,759</u></u>

**CITY OF EUREKA
GAS TAX/STATE HIGHWAY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,159,406	\$ 1,159,406	\$ 3,999,041	\$ 2,839,635
Total Revenues	<u>1,159,406</u>	<u>1,159,406</u>	<u>3,999,041</u>	<u>2,839,635</u>
Expenditures:				
Current:				
Public works	1,497,460	1,497,460	1,299,712	197,748
Capital outlay	<u>2,916,752</u>	<u>2,916,752</u>	<u>693,354</u>	<u>2,223,398</u>
Total Expenditures	<u>1,497,460</u>	<u>4,414,212</u>	<u>1,993,066</u>	<u>2,421,146</u>
Excess of Revenues Over (Under) Expenditures	(338,054)	(3,254,806)	2,005,975	5,260,781
Fund Balances (Deficits), beginning of fiscal year	<u>(1,729,421)</u>	<u>(1,729,421)</u>	<u>(1,729,421)</u>	<u> </u>
Fund Balances (Deficits), end of fiscal year	<u>\$ (2,067,475)</u>	<u>\$ (4,984,227)</u>	<u>\$ 276,554</u>	<u>\$ 5,260,781</u>

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

**Local Employees' Retirement System (LERS)
Last 10 Fiscal Years***

Schedule of Changes in the Total Pension Liability

	<u>2019</u>	<u>2018</u>
Measurement Period	2018-19 ¹	2017-18 ¹
Total Pension Liability		
Service Cost	\$ -	\$ -
Interest on the Total Pension Liability	77,872	102,852
Change of Benefit Terms		
Change of Assumptions	75,687	(118,461)
Differences between Expected and Actual Experience	75,901	(512,693)
Benefit Payments, including Refunds of Employee Contributions	(240,006)	(278,345)
Net Change in Total Pension Liability	<u>(10,546)</u>	<u>(806,647)</u>
Total Pension Liability - Beginning	2,271,154	3,077,801
Total Pension Liability - Ending	<u>\$ 2,260,608</u>	<u>\$ 2,271,154</u>
Covered Payroll	\$ -	\$ -
Total Pension Liability as Percentage of Covered Employee Payroll	N/A	N/A

¹ Historical information is required only for measurement periods for which GASB 73 is applicable.

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

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

Schedule of Changes in the Net Pension Liability and Related Ratios

	Miscellaneous Plan				
	2019	2018	2017	2016	2015
Measurement Period	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Total Pension Liability					
Service Cost	\$ 1,427,407	\$ 1,452,562	\$ 1,376,312	\$ 1,554,810	\$ 1,692,491
Interest on the Total Pension Liability	7,040,707	6,881,017	6,804,666	6,520,030	6,305,116
Change of Benefit Terms			288,993		
Change of Assumptions	(607,791)	5,380,432		(1,505,340)	
Differences between Expected and Actual Experience	157,538	(1,144,199)	204,812	(906,323)	
Benefit Payments, including Refunds of Employee Contributions	(5,896,568)	(5,378,074)	(4,956,375)	(4,560,948)	(4,151,414)
Net Change in Total Pension Liability	<u>2,121,293</u>	<u>7,191,738</u>	<u>3,718,408</u>	<u>1,102,229</u>	<u>3,846,193</u>
Total Pension Liability - Beginning	<u>101,156,254</u>	<u>93,964,516</u>	<u>90,246,108</u>	<u>89,143,879</u>	<u>85,297,686</u>
Total Pension Liability - Ending (a)	<u>\$ 103,277,547</u>	<u>\$ 101,156,254</u>	<u>\$ 93,964,516</u>	<u>\$ 90,246,108</u>	<u>\$ 89,143,879</u>
Plan Fiduciary Net Position					
Contributions from the Employer	\$ 2,749,624	\$ 2,225,605	\$ 2,048,588	\$ 1,988,547	\$ 2,166,174
Contributions from the Employees	629,208	601,585	591,849	670,876	698,583
Net investment income	5,381,122	6,661,750	306,000	1,454,617	9,486,624
Benefit Payments	(5,896,568)	(5,378,074)	(4,956,375)	(4,560,948)	(4,151,414)
Plan to Plan Resource Movement	(28,822)		417,966	(914,730)	
Administrative Expense	(289,934)	(88,820)	(37,657)	(71,224)	
Net Change in Plan Fiduciary Net Position	<u>2,544,630</u>	<u>4,022,046</u>	<u>(1,629,629)</u>	<u>(1,432,862)</u>	<u>8,199,967</u>
Plan Fiduciary Net Position - Beginning	<u>64,180,616</u>	<u>60,158,570</u>	<u>61,788,199</u>	<u>63,221,061</u>	<u>55,021,094</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 66,725,246</u>	<u>\$ 64,180,616</u>	<u>\$ 60,158,570</u>	<u>\$ 61,788,199</u>	<u>\$ 63,221,061</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 36,552,301</u>	<u>\$ 36,975,638</u>	<u>\$ 33,805,946</u>	<u>\$ 28,457,909</u>	<u>\$ 25,922,818</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.61%	63.45%	64.02%	68.47%	70.92%
Covered Payroll	\$ 8,089,113	\$ 8,194,776	\$ 8,762,456	\$ 8,774,837	\$ 8,511,592
Net Pension Liability as Percentage of Covered Employee Payroll	451.87%	451.21%	385.80%	324.31%	304.56%

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

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, 2017. 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 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. 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 five years are shown.

CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*
Miscellaneous Plan

Schedule of Contributions¹

	Miscellaneous Plan				
	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 3,135,513	\$ 2,749,624	\$ 2,048,588	\$ 1,988,547	\$ 2,166,174
Contributions in Relation to the Actuarially Determined Contribution	(3,135,513)	(2,749,624)	(2,048,588)	(1,988,547)	(2,166,174)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 8,166,410	\$ 8,089,113	\$ 8,194,776	\$ 8,762,456	\$ 8,774,837
Contributions as a Percentage of Covered Employee Payroll	38.40%	33.99%	25.00%	22.69%	24.69%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2015 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

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

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

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

Schedule of Plan's Proportionate Share of the Net Pension Liability

	Safety Plan-Police				
	2019 ¹	2018 ¹	2017 ¹	2016 ¹	2015 ¹
Plan's proportion of the Net Pension Liability (Asset)	0.31455%	0.31038%	0.32132%	0.33926%	0.20332%
Plan's proportionate share of the Net Pension Liability (Asset)	\$ 18,456,577	\$ 18,545,831	\$ 16,642,077	\$ 13,979,217	\$ 12,651,826
Covered employee payroll	\$ 3,642,476	\$ 3,536,384	\$ 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	506.70%	524.43%	484.71%	389.18%	345.29%
Plan's fiduciary net position	\$ 32,456,956	\$ 31,634,232	\$ 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	69.11%	67.80%	68.21%	72.04%	74.08%

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

Note to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified period (also known as "Golden Handshakes").

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. 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 five years are shown.

**CITY OF EUREKA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

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

Schedule of Contributions¹

	Safety Plan - Police				
	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 2,051,373	\$ 1,765,194	\$ 1,199,603	\$ 1,550,480	\$ 1,695,798
Contributions in Relation to the Actuarially Determined Contribution	(2,051,373)	(1,765,194)	(1,199,603)	(1,550,480)	(1,695,798)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 3,751,750	\$ 3,642,476	\$ 3,536,384	\$ 3,433,383	\$ 3,591,933
Contributions as a Percentage of Covered Employee Payroll	54.68%	48.46%	33.92%	45.16%	47.21%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2015 Funding Valuation Report
Asset Valuation Method	15 Years Smoothed Market
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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only five 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 (other than trust for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. These funds are required by statute or ordinance to finance particular functions or activities of government. The Special Revenue Funds of the City are:

- **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.

CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Special Revenue Funds			
	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
Assets				
Cash and investments	\$ -	\$ 220,253	\$ 2,003,200	\$ -
Accounts receivable			199,961	
Total Assets	\$ -	\$ 220,253	\$ 2,203,161	\$ -
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,202	\$ 9,610	\$ 51,951	\$ 7,380
Due to other funds	12,586			61,316
Deposits payable				
Payroll and related liabilities		852	861	1,846
Total Liabilities	20,788	10,462	52,812	70,542
Fund Balances:				
Restricted		209,791	2,150,349	
Unassigned	(20,788)			(70,542)
Total Fund Balances (Deficit)	(20,788)	209,791	2,150,349	(70,542)
Total Liabilities and Fund Balances	\$ -	\$ 220,253	\$ 2,203,161	\$ -

Special Revenue Funds

Capital Improvements	Demolition Projects	Airport	Total Nonmajor Governmental Funds
\$ 162,007 15	\$ - 298,671	\$ -	\$ 2,385,460 498,647
<u>\$ 162,022</u>	<u>\$ 298,671</u>	<u>\$ -</u>	<u>\$ 2,884,107</u>
\$ -	\$ 38,933 2,386,618	\$ 9,805 420,175 5,260 109	\$ 125,881 2,880,695 5,260 3,668
	<u>2,425,551</u>	<u>435,349</u>	<u>3,015,504</u>
162,022	(2,126,880)	(435,349)	2,522,162 (2,653,559)
<u>162,022</u>	<u>(2,126,880)</u>	<u>(435,349)</u>	<u>(131,397)</u>
<u>\$ 162,022</u>	<u>\$ 298,671</u>	<u>\$ -</u>	<u>\$ 2,884,107</u>

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking
REVENUES				
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ 64,198
Fines and penalties			361,436	59,903
Intergovernmental	200,021	64,414	648,151	
Charges for services			10,308	
Other revenues				
Total Revenues	<u>200,021</u>	<u>64,414</u>	<u>1,019,895</u>	<u>124,101</u>
EXPENDITURES				
Current:				
Public safety			163,586	33,165
Public works	252,063	98,642		97,413
Capital outlay			374,750	
Debt service:				
Principal payments			75,532	
Interest and fiscal charges			5,182	
Total Expenditures	<u>252,063</u>	<u>98,642</u>	<u>619,050</u>	<u>130,578</u>
Excess of Revenues Over (Under) Expenditures	(52,042)	(34,228)	400,845	(6,477)
Fund Balances (Deficits), beginning of fiscal year	<u>31,254</u>	<u>244,019</u>	<u>1,749,504</u>	<u>(64,065)</u>
Fund Balances (Deficits), end of fiscal year	<u>\$ (20,788)</u>	<u>\$ 209,791</u>	<u>\$ 2,150,349</u>	<u>\$ (70,542)</u>

Special Revenue Funds			Total Nonmajor Governmental Funds
Capital Improvements	Demolition Projects	Airport	
\$ -	\$ -	\$ -	\$ 64,198
41,221			421,339
			953,807
			10,308
		37,761	37,761
41,221		37,761	1,487,413
			196,751
	718,085	340,983	1,507,186
			374,750
			75,532
			5,182
	718,085	340,983	2,159,401
41,221	(718,085)	(303,222)	(671,988)
120,801	(1,408,795)	(132,127)	540,591
<u>\$ 162,022</u>	<u>\$ (2,126,880)</u>	<u>\$ (435,349)</u>	<u>\$ (131,397)</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, 2019**

	Habitat Acquisition and Restoration			Environmental Programs		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Intergovernmental	200,021	200,021		60,000	64,414	4,414
Charges for services						
Other revenues						
Total Revenues	<u>200,021</u>	<u>200,021</u>		<u>60,000</u>	<u>64,414</u>	<u>4,414</u>
Expenditures:						
Current:						
Public safety						
Public works	252,063	252,063		103,660	98,642	5,018
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>252,063</u>	<u>252,063</u>		<u>103,660</u>	<u>98,642</u>	<u>5,018</u>
Excess of Revenues Over (Under)	(52,042)	(52,042)		(43,660)	(34,228)	9,432
Expenditures						
Fund Balances (Deficits), beginning of fiscal year	31,254	31,254		244,019	244,019	
Fund Balances (Deficits), end of fiscal year	<u>\$ (20,788)</u>	<u>\$ (20,788)</u>	<u>\$ -</u>	<u>\$ 200,359</u>	<u>\$ 209,791</u>	<u>\$ 9,432</u>

Special Police			Parking		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 57,000	\$ 64,198	\$ 7,198
50,000	361,436	311,436	92,000	59,903	(32,097)
100,000	648,151	548,151			
30,000	10,308	(19,692)			
<u>180,000</u>	<u>1,019,895</u>	<u>839,895</u>	<u>149,000</u>	<u>124,101</u>	<u>(24,899)</u>
301,933	163,586	138,347	24,650	33,165	(8,515)
511,873	378,799	133,074	94,359	97,413	(3,054)
71,483	71,483				
5,182	5,182				
<u>890,471</u>	<u>619,050</u>	<u>271,421</u>	<u>119,009</u>	<u>130,578</u>	<u>(11,569)</u>
(710,471)	400,845	1,111,316	29,991	(6,477)	(36,468)
<u>1,749,504</u>	<u>1,749,504</u>		<u>(64,065)</u>	<u>(64,065)</u>	
<u>\$ 1,039,033</u>	<u>\$ 2,150,349</u>	<u>\$ 1,111,316</u>	<u>\$ (34,074)</u>	<u>\$ (70,542)</u>	<u>\$ (36,468)</u>

(Continued)

**CITY OF EUREKA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Intergovernmental	41,221	41,221				
Charges for services						
Other revenues						
Total Revenues	41,221	41,221				
Expenditures:						
Current:						
Public safety						
Public works				524,519	718,085	(193,566)
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures				524,519	718,085	(193,566)
Excess of Revenues Over (Under)						
Expenditures	41,221	41,221		(524,519)	(718,085)	(193,566)
Fund Balances (Deficits), beginning of fiscal year	120,801	120,801		(1,408,795)	(1,408,795)	
Fund Balances (Deficits), end of fiscal year	\$ 162,022	\$ 162,022	\$ -	\$ (1,933,314)	\$ (2,126,880)	\$ (193,566)

Airport

Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -
<u>58,761</u>	<u>37,761</u>	<u>(21,000)</u>
<u>58,761</u>	<u>37,761</u>	<u>(21,000)</u>
673,487	340,983	332,504
<u>673,487</u>	<u>340,983</u>	<u>332,504</u>
(614,726)	(303,222)	311,504
<u>(132,127)</u>	<u>(132,127)</u>	<u>311,504</u>
<u>\$ (746,853)</u>	<u>\$ (435,349)</u>	<u>\$ 311,504</u>

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

- **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 Sequoia 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, 2019**

ASSETS	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
Current assets:					
Cash and investments	\$ 1,723,903	\$ -	\$ 591,679	\$ 124,040	\$ 2,439,622
Accounts receivable - net	7,500	3,339			10,839
Prepaid expenses		20,000	31,261		51,261
Total current assets	1,731,403	23,339	622,940	124,040	2,501,722
Capital Assets:					
Depreciable					
Buildings	429,246		17,374	228,930	675,550
Improvements	34,930				34,930
Equipment	8,932,758		1,464,311		10,397,069
Total depreciable capital assets	9,396,934		1,481,685	228,930	11,107,549
Less accumulated depreciation	(7,696,902)		(1,443,980)	(7,631)	(9,148,513)
Total capital assets, net	1,700,032		37,705	221,299	1,959,036
Total Assets	3,431,435	23,339	660,645	345,339	4,460,758
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	211,061		126,464	172,216	509,741
Total deferred outflows of resources	211,061		126,464	172,216	509,741
Total Assets and Deferred Outflows of Resources	3,642,496	23,339	787,109	517,555	4,970,499
LIABILITIES					
Current Liabilities:					
Accounts payable	69,363	10,265	65,547	33,592	178,767
Due to other funds		107,673			107,673
Claims and judgments payable		115,155			115,155
Compensated absences	33,881		17,476	22,779	74,136
Payroll and related liabilities	14,205		9,231	11,763	35,199
Total current liabilities	117,449	233,093	92,254	68,134	510,930
Noncurrent Liabilities:					
Net pension liabilities	1,787,408		1,070,982	1,458,437	4,316,827
Total noncurrent liabilities	1,787,408		1,070,982	1,458,437	4,316,827
Total liabilities	1,904,857	233,093	1,163,236	1,526,571	4,827,757
DEFERRED INFLOWS OF RESOURCES					
Pension related	28,038		16,800	22,878	67,716
Total deferred inflows of resources	28,038		16,800	22,878	67,716
Total Liabilities and Deferred Inflows of Resources	1,932,895	233,093	1,180,036	1,549,449	4,895,473
NET POSITION					
Net investment in capital assets	1,700,032		37,705	221,299	1,959,036
Unrestricted	9,569	(209,754)	(430,632)	(1,253,193)	(1,884,010)
Total Net Position (Deficits)	\$ 1,709,601	\$ (209,754)	\$ (392,927)	\$ (1,031,894)	\$ 75,026

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
Operating Revenues:					
Charges for services	\$ 1,932,896	\$ 1,882,427	\$ 1,448,653	\$ 973,263	\$ 6,237,239
Other operating revenues	19,798				19,798
Total Operating Revenues	1,952,694	1,882,427	1,448,653	973,263	6,257,037
Operating Expenses:					
Maintenance and operation	1,769,485	25,890	1,423,676	1,459,326	4,678,377
Insurance costs and claims	28,462	1,724,440			1,752,902
Depreciation	465,000		6,639	7,631	479,270
Total Expenses	2,262,947	1,750,330	1,430,315	1,466,957	6,910,549
Operating Income (Loss)	(310,253)	132,097	18,338	(493,694)	(653,512)
Change in Net Position	(310,253)	132,097	18,338	(493,694)	(653,512)
Net Position (Deficits), beginning of fiscal year	2,019,854	(341,851)	(411,265)	(538,200)	728,538
Net Position (Deficits), end of fiscal year	<u>\$ 1,709,601</u>	<u>\$ (209,754)</u>	<u>\$ (392,927)</u>	<u>\$ (1,031,894)</u>	<u>\$ 75,026</u>

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Equipment Operations	Risk Management	Information Technology Operations	Facilities Operations	Totals
Cash Flows from Operating Activities:					
Receipts from customers/interfund charges	\$ 1,952,694	\$ 1,883,739	\$ 1,448,653	\$ 973,263	\$ 6,258,349
Payments to suppliers and users	(1,237,651)	(2,108,377)	(904,041)	(462,308)	(4,712,377)
Payments to employees	(574,188)		(361,568)	(496,611)	(1,432,367)
Net Cash Provided (Used) by Operating Activities	140,855	(224,638)	183,044	14,344	113,605
Cash Flows from Non-capital Financing Activities:					
Due to/from other funds		107,673			107,673
Net Cash Provided by Non-capital Financing Activities		107,673			107,673
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(716,373)		(11,940)		(728,313)
Net Cash Used by Capital and Related Financing Activities	(716,373)		(11,940)		(728,313)
Net Increase (Decrease) in Cash and Cash Equivalents	(575,518)	(116,965)	171,104	14,344	(507,035)
Cash and Cash Equivalents, July 1, 2018	2,299,421	116,965	420,575	109,696	2,946,657
Cash and Cash Equivalents, June 30, 2019	<u>\$ 1,723,903</u>	<u>\$ -</u>	<u>\$ 591,679</u>	<u>\$ 124,040</u>	<u>\$ 2,439,622</u>
Cash and Investments on Combining Statement of Net Position	<u>\$ 1,723,903</u>	<u>\$ -</u>	<u>\$ 591,679</u>	<u>\$ 124,040</u>	<u>\$ 2,439,622</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (310,253)	\$ 132,097	\$ 18,338	\$ (493,694)	\$ (653,512)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:					
Depreciation	465,000		6,639	7,631	479,270
(Increase) Decrease in Operating Assets and Deferred Outflows:					
Accounts receivable		1,312			1,312
Prepaid expenses			(31,261)		(31,261)
Deferred outflows of resources - pension related	61,369		42,958	7,371	111,698
Increase (Decrease) in Operating Liabilities and Deferred Inflows:					
Claims and judgments payable		(59,538)			(59,538)
Accounts payable	(371,400)	(298,509)	(2,019)	(1,762)	(673,690)
Compensated absences	(2,317)		2,035	7,886	7,604
Deferred inflows of resources - pension related	1,207		114	5,191	6,512
Net pension liability	300,987		146,591	478,583	926,161
Payroll and related liabilities	(3,738)		(351)	3,138	(951)
Net Cash Provided (Used) by Operating Activities	\$ 140,855	\$ (224,638)	\$ 183,044	\$ 14,344	\$ 113,605

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.

Private-Purpose Trust Funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor 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, 2019**

	Successor Agency Capital Project	Successor Agency Debt Service	Totals
Assets:			
Cash and Investments	\$ 28,582	\$ 352,101	\$ 380,683
Cash and Investments with Fiscal Agent, Restricted	136		136
Other Receivable	16,600		16,600
Capital Assets, Not Being Depreciated	53,702		53,702
Capital Assets, Net of Accumulated Depreciation	118,061		118,061
Total Assets	<u>217,081</u>	<u>352,101</u>	<u>569,182</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on debt refunding		1,083,117	1,083,117
Liabilities:			
Accounts Payable	918	926	1,844
Payroll Payable	15	1,278	1,293
Interest Payable		101,438	101,438
Noncurrent Liabilities:			
Due within One Year		1,838,027	1,838,027
Due in More than One Year		14,929,684	14,929,684
Total Liabilities	<u>933</u>	<u>16,871,353</u>	<u>16,872,286</u>
Net Position:			
Unrestricted	216,148	(15,436,135)	(15,219,987)
Total Net Position (Deficits)	<u>\$ 216,148</u>	<u>\$ (15,436,135)</u>	<u>\$ (15,219,987)</u>

**CITY OF EUREKA
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Successor Agency Capital Project	Successor Agency Debt Service	Totals
Additions:			
Taxes	\$ -	\$ 3,273,413	\$ 3,273,413
Investment income		895	895
Total Additions		<u>3,274,308</u>	<u>3,274,308</u>
Deductions:			
Administration		35,993	35,993
Depreciation	9,081		9,081
Community development		274,282	274,282
Interest expense	1,176	630,470	631,646
Total Deductions	<u>10,257</u>	<u>940,745</u>	<u>951,002</u>
Change in Net Position	(10,257)	2,333,563	2,323,306
Net Position (Deficits), beginning of fiscal year	<u>226,405</u>	<u>(17,769,698)</u>	<u>(17,543,293)</u>
Net Position (Deficits), end of fiscal year	<u>\$ 216,148</u>	<u>\$ (15,436,135)</u>	<u>\$ (15,219,987)</u>

**CITY OF EUREKA
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Fiscal Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<u>Trust Holding Fund</u>				
<u>Assets:</u>				
Cash and investments	\$ 171,676	\$ 11,605	\$ 9,075	\$ 174,206
Total Assets	<u>\$ 171,676</u>	<u>\$ 11,605</u>	<u>\$ 9,075</u>	<u>\$ 174,206</u>
<u>Liabilities:</u>				
Accounts payable	\$ 50	\$ 7,505	\$ 7,555	\$ -
Deposits payable	171,626	4,100	1,520	174,206
Total Liabilities	<u>\$ 171,676</u>	<u>\$ 11,605</u>	<u>\$ 9,075</u>	<u>\$ 174,206</u>