

**CITY OF FORTUNA
FORTUNA, CALIFORNIA**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2023**

INTRODUCTORY SECTION

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February 29, 2024

Citizens of the City of Fortuna
Honorable Mayor and
Members of the City Council

We are pleased to submit the City of Fortuna's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023. The city follows a policy of hiring a licensed certified public accountant to conduct an annual audit and to prepare a complete set of financial statements in conformity with generally accepted accounting principles (GAAP). This annual report is published to fulfill that policy for the fiscal year ended June 30, 2023.

Management of the City of Fortuna assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that the city has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the city's financial statements are free of material misstatements.

The firm of R.J. Ricciardi, Inc. Certified Public Accountants, has issued an unqualified independent auditor's report on the City of Fortuna's financial statements for the fiscal year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY AND ITS OPERATIONS

The City of Fortuna is located on the North Coast of California seven (7) miles inland from the Pacific Ocean to the west and 253 miles north of San Francisco on U.S. Route 101. Fortuna is surrounded by national, state and county redwood parks and is the gateway to the redwood forests of Northern California. The City has a large number of events and festivals including Art & Wine in the Park, the Annual Fortuna Rodeo, Redwood AutoXpo, Apple Harvest, Hops in Humboldt Festival, and the Fortuna Concert Series. There are many holiday events for both young and old including concerts and parades.

The City of Fortuna was incorporated in 1906 and is home to approximately 12,000 individuals. The city's boundaries encompass 4.8 square miles with a population that has been growing by an average rate of one-percent (1%) annually over the last decade.

Education, health care, and government services are the largest employment categories followed by retail trade and construction. Timber harvesting and production is no longer the driving economic factor on the North Coast. Agriculture, health care, education, and government jobs have filled the void left by the timber industry with a mix of retail sales and hospitality services increasingly supporting our local economic growth.

The city operates under a council-manager form of government. Policy making and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council members. The Council is responsible, among other matters, for passing ordinances, adopting the city budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the city, and for appointing other employees. The Council is elected to four year staggered terms, with 2-3 members elected every two years. The Mayor is selected by and serves at the pleasure of the City Council for a two-year term.

City Hall
(707) 725-7600
Fax (707) 725-7610
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Police Department
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Parks and Recreation
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Fax (707) 725-7576
5 Park Street

Public Works
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Fax (707) 725-7651
180 Dinsmore Drive

February 29, 2024

Page 2

The city provides a full range of municipal services including police protection; construction and maintenance of city streets; storm drains, and similar infrastructure; park maintenance; community recreation activities; water and wastewater utilities; and a transit system for seniors and disabled citizens who reside within city limits.

The annual budget serves as the foundation for the City of Fortuna's financial planning and control system. The budget process is the vehicle through which the city establishes goals and objectives, and prioritizes the desired programs or services that the city provides and which can be financed by the city's anticipated revenue for the budget period. The annual budget is categorized by fund, function (e.g., supplies, services), and department (e.g., police, public works). The budget is the means through which policy decisions are made, effected, controlled and monitored. The City Manager is responsible for submitting and recommending an operating budget and a capital improvements budget for City Council consideration and adoption. Throughout the year, the budget serves as a financial management tool and an operational plan for the delivery of city services and capital projects.

In addition to the budget planning process the city maintains budgetary controls. The city's objective in maintaining budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within funds as deemed necessary in order to meet the city's needs subject to policy defined in the city's administrative regulations. The City Council may amend the budget by resolution during the fiscal year.

The city maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders, contracts, and other commitments for expenditure of money are secured in order to reserve that portion of the applicable appropriation. Total expenditures of each fund may not exceed fund appropriations and total expenditures for each department may not exceed departmental appropriations. Unencumbered amounts lapse at year-end and may be appropriated as part of the following year's budget.

Financial statements contained in the Annual Comprehensive Financial Report ("ACFR") include budget to actual comparisons that are required supplementary information. Comparisons are presented for the general fund and other major governmental funds for which an appropriated annual budget has been adopted. Budget to actual comparisons are also presented for the city's non-major funds in the supplemental information section of this report.

LOCAL ECONOMY

The city's general fund sales tax revenue recognized a loss this fiscal period. City-wide retail sales subject to tax shrank to \$227 million over the year; a decrease of over \$20 million over the previous fiscal year.

The unemployment rate for 2023 decreased to 3.0% - the highest unemployment rate seen in the last 10 years was in 2021 when the unemployment rate was 7.9%. Property values remain stable with a slight increase as compared to the previous fiscal period. Looking forward, the city's 2023-24 budget reflects a continued conservative approach. The city anticipates ongoing economic recovery and will carefully monitor revenue to match and prioritize city services within available revenues.

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February 29, 2024
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MAJOR INITIATIVES

Capital Projects

The City of Fortuna is committed to investing in the city's future by improving and repairing essential water and sewer infrastructure projects, disability access improvements and more. Prior to fiscal year 2023 the city leveraged state grants, former Redevelopment Agency bond loan proceeds, and storm drainage funds to complete the nearly \$6.5 million of improvements to the Rohner Creek Flood Control and Riparian Habitat Improvement Project. The project was successfully completed in fiscal year 2018. Upon the completion of that project the City was able to move forward with the almost \$2.5 million Hillside Creek Flood Control Project which was completed in 2020. This project was 75% funded by a FEMA grant. Upon completion of these projects, in fiscal year 2021, the City submitted an updated Flood Mapping to FEMA and was successful in removing hundreds of homes out of the flood plain.

Redevelopment Dissolution

Pursuant to ABx 126 ("AB 26"), the Redevelopment Agency of the City of Fortuna ("Agency") was dissolved on February 1, 2012. The former Agency is now administered by the Successor Agency to the Former Redevelopment Agency of the City of Fortuna. The Successor Agency continues to wind down the affairs of the former Redevelopment Agency. The City of Fortuna Oversight Board was dissolved and replaced by a Countywide Oversight Board pursuant to Health and Safety Code Section 34179 (j). The new Countywide Oversight Board continues to meet regularly to review and approve the annual Recognized Obligation Payments Schedule (ROPs) request submitted to the California Department of Finance, as well as other business activity related to the Successor Agency.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the finance department, the auditing services of O'Connor & Company, and the cooperation of the various city departments. I would also like to acknowledge and thank the City Council and the City Manager for their continued support and leadership in responsibly managing the City of Fortuna's financial operations.

Respectfully submitted,



Aaron Felmlee, Finance Director

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CITY OF FORTUNA, CALIFORNIA
List of Principal Officials
June 30, 2023

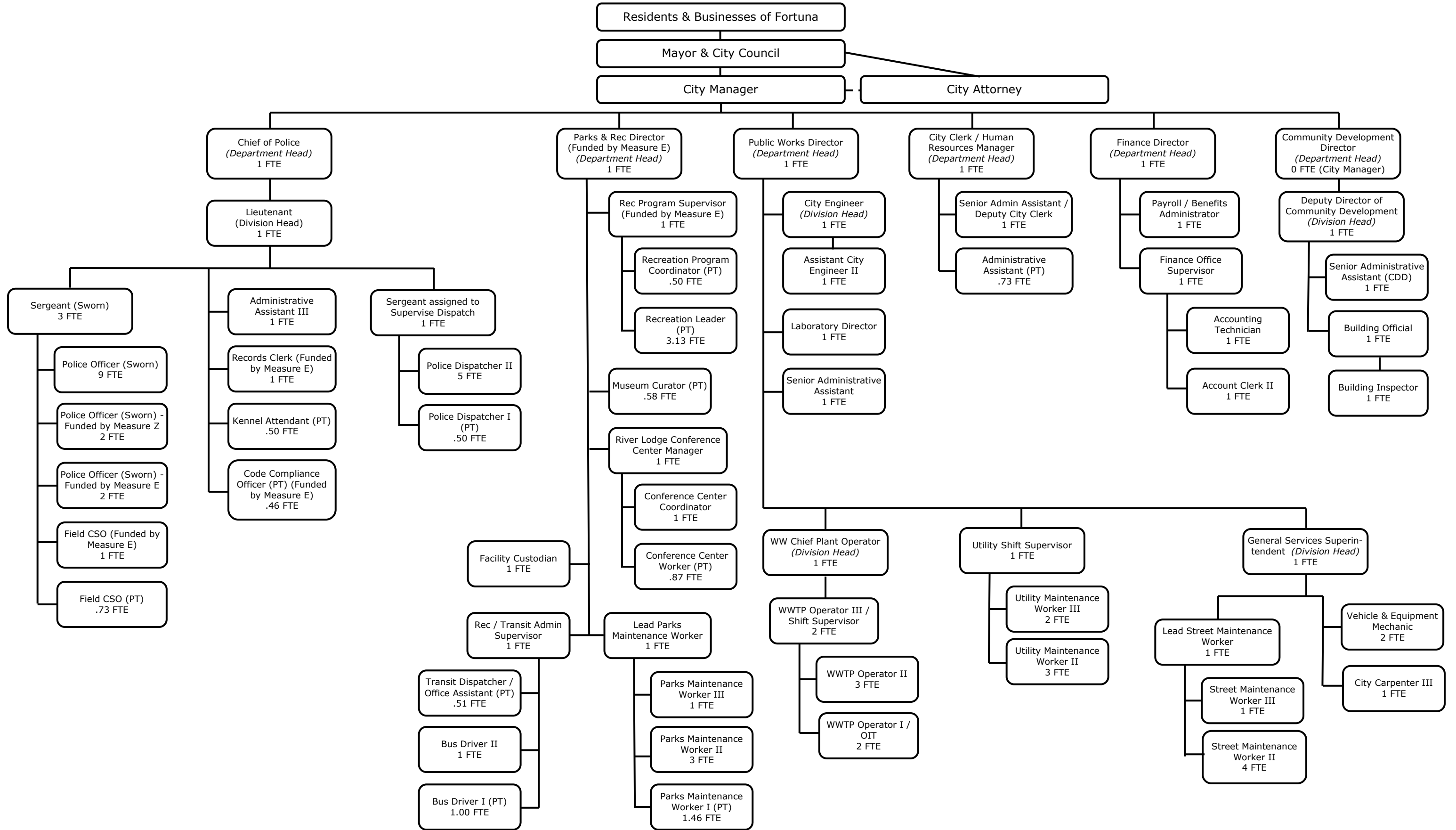
City Council

| | |
|----------------|--------------|
| Mayor | Tami Trent |
| Mayor Pro Tem | Mike Johnson |
| Council Member | Kyle Conley |
| Council Member | Mike Losey |
| Council Member | Kris Mobley |

Appointed Officials

| | |
|--------------------------------|---------------|
| City Manager | Merritt Perry |
| Finance Director | Aaron Felmlee |
| Police Chief | Casey Day |
| Public Works Director | Brendan Byrd |
| Parks and Recreation Director | Cameron Mull |
| Community Development Director | Vacant |
| City Clerk | Siana Emmons |

City of Fortuna Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members
of the City Council
City of Fortuna
Fortuna, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Fortuna, California as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Fortuna's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Fortuna, as of June 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fortuna, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fortuna's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Fortuna's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fortuna's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the required supplementary information listed in the table of contents be presented to supplement the basic 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 the financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fortuna's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

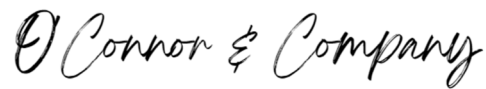
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 on our consideration of the City of Fortuna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of City of Fortuna's 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 City of Fortuna's internal control over financial reporting and compliance.



O'Connor & Company

Novato, California
February 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the City of Fortuna's annual financial report presents discussion and analysis of the city's financial performance during the fiscal year that ended on June 30, 2023. Please read this analysis in conjunction with the transmittal letter contained in the front of this report and the city's financial statements, which follow this section.

Financial Highlights

- The city's total net position continued to improve during the 2022-23 fiscal year with an increase of \$3.93 million at the end of the fiscal period. Net position is the difference between the city's assets and liabilities.
- The Successor Agency (Former Redevelopment Agency) continues to move forward with the completion of "winding down" the city's former redevelopment activities.
- The city's general funds earned \$12.09 million in revenues during the 2022-23 fiscal year with \$11.27 million in total expenditures, which resulted in an excess of revenues over expenditures of \$820 thousand.
- The citizens of Fortuna approved a ¼ cent sales tax measure, Measure E, on the November 8, 2016 ballot. Revenues from Measure E accounted for \$1.84 million of the \$12.09 million total general fund revenues. Measure E is a general tax that went into effect on April 1, 2017 and is set to terminate on March 31st, 2033.
- The fiscal period ending June 30, 2023, resulted in a general fund balance of \$13.14 million with \$13.13 million reported as unassigned (See pg. 14-15 for details). The City has designated about \$7.5 million from the end of year unassigned fund balance as stabilization reserves for contingencies and cash flow shortfalls.
- The city's water and wastewater programs generated approximately \$6.22 million in user fees. Utility fees continue to support daily operations, debt service, and capital improvement projects. The net position of the water enterprise increased by 3.88 percent to \$16.4 million and the wastewater enterprise net position increased by 1.0 percent to \$26.5 million indicating stable growth and management of the city's vital utility services.

OVERVIEW OF THE FINANCIAL STATEMENTS

The city's Annual Comprehensive Financial Report ("ACFR") consists of four main components: (1) the independent auditor's report and management's discussion and analysis; (2) the basic financial statements and notes to the financial statements; (3) required supplementary information; and (4) combining fund financial statements. The basic financial statements include two types of statements that present different views of the city; the government-wide and the fund financial statements.

- The government-wide financial statements provide both long-term and short-term information regarding the city's overall financial status.
- The fund financial statements focus on individual parts of city government, reporting the city's operations in more detail than the government-wide statements.

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements. The statements and notes are followed by required supplementary information, including budgetary comparison schedules for the general fund and other major governmental funds. In addition to these required elements, we have included combining statements and schedules that provide details about the city's non-major funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the city's financial statements, including the portion of the city government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| Figure A-1 | | | |
|--|---|---|--|
| Major Features of the City of Fortuna's Government-Wide and Fund Financial Statements | | | |
| | <u>Government-Wide Statements</u> | <u>Fund Statements</u> | |
| | | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
| <u>Scope</u> | Entire city government | The activities of the city that is not proprietary or fiduciary, such as the Police Dept. and Parks & Recreation. | Activities the city operates similar to private businesses: Water, sewer, and transit. |
| <u>Required financial statements</u> | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenditures, and changes in net position • Statement of cash flows |
| <u>Accounting basis and measurement focus</u> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| <u>Type of asset/liability information</u> | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be depleted and liabilities that are due and payable during the fiscal year. No capital assets are included. | All assets and liabilities, both financial and capital, including short-term and long-term liabilities. |
| <u>Type of inflow/outflow information</u> | All revenues earned or received; and expenditures incurred during fiscal period, regardless of when cash is received or expended. | Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and payment is due during the fiscal year. | All revenues and expenditures received/incurred during the fiscal year, regardless of when cash is received or expended. |

Government-Wide Statements

Government-wide statements report information similar to those used by private-sector companies. Current year revenues and expenditures are accounted for in the statement of activities on a full accrual basis regardless of when cash is *actually* received or disbursed.

The government-wide financial statements provide a broad overview of the city's activities as a whole. These financial statements are comprised of the:

- 1) *Statement of Net Position* - Includes *all* of the city's assets and liabilities and is used to measure total economic resources. Net position is the difference between the city's assets and liabilities. Over time, increases or decreases in the net position is an indicator of whether the city's financial health is improving or deteriorating.

- 2) *The Statement of Activities* - Provides information regarding the city's total revenues and full accrual expenses and is critical in measuring the net revenues and expenses (including depreciation) of each of the city's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements of the city are divided into two categories:

- *Governmental activities* – The majority of the city's basic services are reported as *governmental activities*, including general government, police, streets, public works, parks and recreation. Activities are primarily financed with property taxes, sales taxes, transient occupancy taxes, user charges and fees, and state and federal grants.
- *Business-type activities* – The city's water, wastewater, and transit systems are reported as *business-type activities*. These programs are financed with user fees and transit subsidies that are intended to cover the long-term costs of services including capital infrastructure and debt financing.

Fund Financial Statements

A **fund** is a grouping of related accounts that is used to maintain control and monitor resources that have been segregated or “restricted” for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into two categories: governmental funds and proprietary funds. The concept of major funds, and the determination of which are major funds is established by the Governmental Accounting Standards Board (GASB).

- *Governmental funds* – Most of the city's basic services are included in governmental funds which focus on (1) *How cash and other financial assets* can readily be converted to cash flow; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is included at the bottom of the governmental funds statement, or on subsequent pages, that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the city charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Similarly, the city's enterprise funds (one type of proprietary fund) are essentially equal to its *business-type* activities, but provide more detail and information such as cash flow.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. The city's total combined net position increased \$3.93 million during the 2022-23 fiscal year. See Table A-1 below:

| Table A-1 | | | | | | | |
|---------------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|-------------------|
| City of Fortuna's Net Position | | | | | | | |
| (in thousands of dollars) | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | | Percentage Change |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Current and other assets | \$ 35,985 | \$ 34,074 | \$ 23,308 | \$ 22,879 | \$ 59,293 | \$ 56,953 | 4.1% |
| Capital assets, net | 22,815 | 22,332 | 34,973 | 35,133 | 57,788 | 57,465 | 0.6% |
| Total assets | 58,800 | 56,406 | 58,281 | 58,012 | 117,081 | 114,418 | 2.3% |
| Deferred outflows | 4,725 | 2,664 | 2,142 | 1,207 | 6,867 | 3,871 | 77.4% |
| Current liabilities | 1,177 | 457 | 1,427 | 1,007 | 2,604 | 1,464 | 77.9% |
| Long-term liabilities | 8,350 | 4,872 | 15,646 | 14,860 | 23,996 | 19,732 | 21.6% |
| Total liabilities | 9,527 | 5,329 | 17,073 | 15,867 | 26,600 | 21,196 | 25.5% |
| Deferred inflows | 2,094 | 4,924 | 355 | 1,195 | 2,449 | 6,119 | -60.0% |
| Net position: | | | | | | | |
| Invested in capital assets | 22,815 | 22,324 | 23,573 | 23,163 | 46,388 | 45,487 | 2.0% |
| Restricted | 4,351 | 3,593 | - | - | 4,351 | 3,593 | 21.1% |
| Unrestricted | 24,738 | 22,900 | 19,422 | 18,994 | 44,160 | 41,894 | 5.4% |
| Total net position | \$ 51,904 | \$ 48,817 | \$ 42,995 | \$ 42,157 | \$ 94,899 | \$ 90,974 | 4.3% |

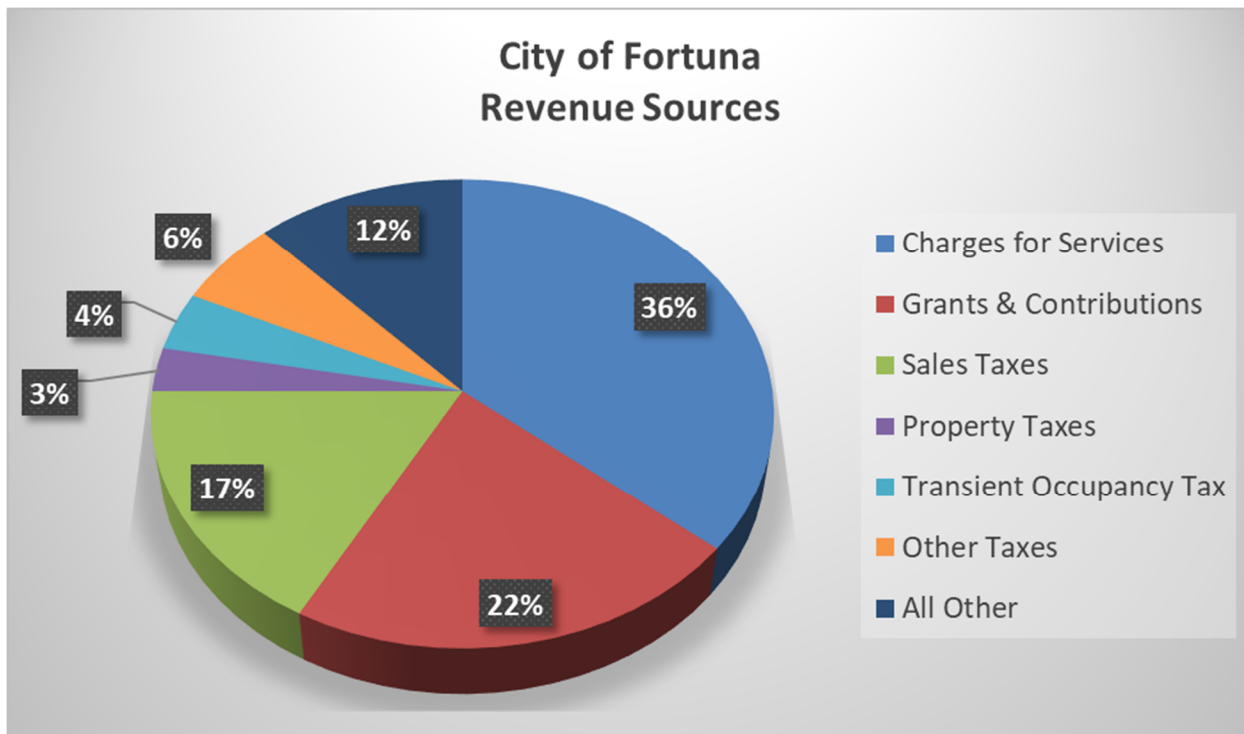
The net position of the city's governmental activities increased by 6.32 percent to \$51.9 million during the 2022-23 fiscal year. The city currently does not have any long-term debt related to assets used in its governmental activities. Net capital assets for governmental activities increased to \$22.8 million at year-end.

The net position of the city's business-type activities increased by approximately \$0.84 million this fiscal year to \$43.0 million. Assets generated from business-type activities are restricted to supporting the continuing operations of the city's utility and transit services.

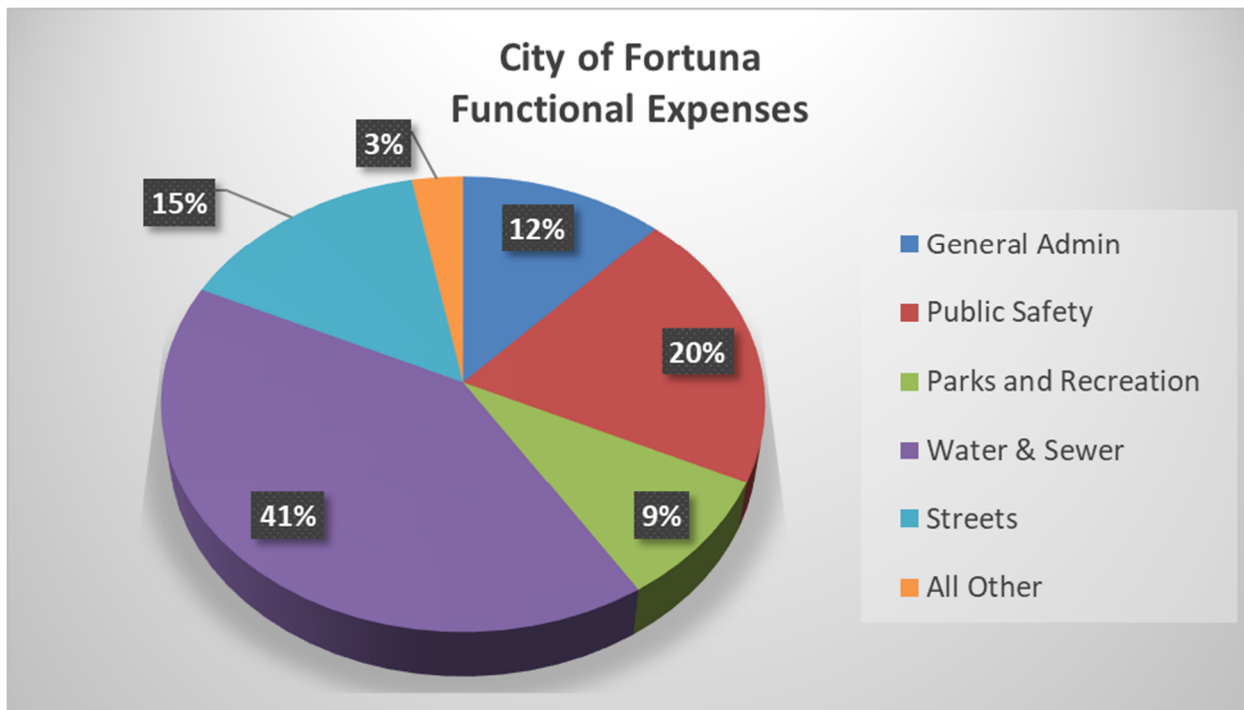
Combined Revenues and Expenditures

City revenues increased overall by six percent (6%) ending the year with a combined total of \$23.0 million. In comparing revenues to the previous fiscal year, it is important to consider that there was an increase in one time revenue of \$1.0 million from the previous fiscal year. This increase in one time revenues nearly accounted for the entire increase in overall revenues. (See Table A-2.)

MANAGEMENT'S DISCUSSION AND ANALYSIS



The total cost of city programs and services were nearly identical to last fiscal year at \$19.1 million during fiscal year ending 2023. Costs cover a variety of services with approximately 43% of total costs attributed to business-type activities (water, wastewater, and transit) and the remaining 57% related to general government, public safety, streets, parks and recreation programs, and other services provided to the community.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Contributions increased by six percent (6%) during the 2022-23 fiscal year. A majority of this increase was due to an increase in investment revenue. Business-type activities saw a total of \$9.1 million in revenues finance operating costs of \$8.3 million, which provided cash flow for principal payments on water and wastewater revenue bonds and continued investment in capital improvement projects to maintain the city's water and wastewater infrastructure.

| Table A-2 | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|----------------|
| Changes in the City's Net Position | | | | | | | |
| (in thousands of dollars) | | | | | | | |
| | Governmental | | Business-type | | Totals City Wide | | Percent Change |
| | Activities | | | | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Revenues | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$ 2,141 | \$ 1,854 | \$ 6,217 | \$ 6,274 | \$ 8,358 | \$ 8,128 | 3% |
| Operating Grants | - | - | 2,418 | 2,486 | 2,418 | 2,486 | -3% |
| Capital Grants | 2,568 | 2,351 | - | - | 2,568 | 2,351 | 9% |
| General revenues | | | | | | | |
| Taxes | 6,931 | 7,301 | - | - | 6,931 | 7,301 | -5% |
| Investment Earnings | 548 | (75) | 453 | (281) | 1,001 | (356) | |
| Other | 1,731 | 1,754 | - | - | 1,731 | 1,754 | -1% |
| Total revenues | 13,919 | 13,185 | 9,088 | 8,479 | 23,007 | 21,664 | 6% |
| Expenses | | | | | | | |
| General government | 2,366 | 2,412 | - | - | 2,366 | 2,412 | -2% |
| Public safety | 3,840 | 4,082 | - | - | 3,840 | 4,082 | -6% |
| Streets | 2,833 | 2,768 | - | - | 2,833 | 2,768 | 2% |
| Parks and recreation | 1,701 | 1,697 | - | - | 1,701 | 1,697 | 0% |
| Sanitation | 84 | 64 | - | - | 84 | 64 | 31% |
| Water | - | - | 3,473 | 3,419 | 3,473 | 3,419 | 2% |
| Wastewater | - | - | 4,348 | 4,256 | 4,348 | 4,256 | 2% |
| Transit | - | - | 437 | 385 | 437 | 385 | 14% |
| Other | - | - | - | - | - | - | |
| Total expenses | 10,824 | 11,023 | 8,258 | 8,060 | 19,082 | 19,083 | 0% |
| Increase (Decrease) | 3,095 | 2,162 | 830 | 419 | 3,925 | 2,581 | |
| Transfers | (9) | (5) | 9 | 5 | - | - | |
| Change in net position | 3,086 | 2,157 | 839 | 424 | 3,925 | 2,581 | 52% |
| Net Position, beginning, as restated | 48,817 | 46,660 | 42,157 | 41,733 | 90,974 | 88,393 | |
| Prior Period Adjustment | - | - | - | - | - | - | |
| Net Position, end of year | \$51,903 | \$48,817 | \$42,996 | \$42,157 | \$94,899 | \$90,974 | 4% |

The cost of the city's *governmental activities* this year was \$10.8 million, a decrease of \$0.2 million or -1.8%, compared to last fiscal year as presented in Table A-2. The cost of the city's *business type activities* this year was \$8.3 million, an increase of \$0.2 million or 2.4%, compared to last fiscal year as presented in Table A-2. Water and Wastewater expenses accounted for nearly all of the \$0.2 million increase. These increased costs were primarily for capital outlay and infrastructure improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and regulations. The fund financial statements focus on individual parts of city government in order to report city operations in more detail than the government-wide statements.

Governmental Funds

- The general fund, HOME fund, and city housing fund are reported as major governmental funds. Other non-major governmental fund programs include gas tax(s), storm drain maintenance, federal and state grants, debt service, and capital projects.
- The general fund reported \$12.1 million in tax, intergovernmental, fee and other revenues during the year. These revenues supported \$5.2 million in public safety programs, \$1.7 million to support parks and recreation programs and services, and the remainder supported streets, capital improvement projects, and general administration. The general fund had a fund balance of \$13.14 million at year-end.
- The city's HOME grant fund continues to administer an approximate \$10.0 million portfolio of federally funded housing loans. No new loans were extended during the year.
- The city continues to administer a \$3.4 million portfolio of low-to-moderate income housing loans that were originally funded by Community Development Block Grants ("CDBG") and by set-aside requirements of the former redevelopment agency. Administration of these assets is a result of the city's ongoing commitment to support low and moderate income housing programs within city limits.

Business-Type Funds

- The water fund earned \$2.5 million in user fees during the year to support operating costs, debt service, and capital improvements.
- The wastewater fund earned \$3.7 million in user fees during the year to support operating costs, debt service, maintenance costs and investments in system improvements.
- The nonmajor transit fund earned over \$15,000 in fees during the 2022-23 fiscal period. Operating subsidies of over \$381,000 combined with user fees supports the operating costs necessary to provided essential transportation services to city residents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The city continues to invest in improvements to maintain and improve the city's infrastructure. At the end of 2023, the city has invested \$57.7 million in a broad range of capital assets (net of accumulated depreciation) that support the essential services provided to the city's residents and businesses. Assets include land, equipment, vehicles, buildings, park facilities, and water and wastewater systems. (See Table A-3) Additional information about the city's capital assets can be found in Note 4, Section D, of the notes to the basic financial statements.

| Capital Assets (net of depreciation) | | | | | | | Percent Change |
|--|-------------------------|-----------------|--------------------------|-----------------|------------------|------------------|-------------------|
| (in thousands of dollars) | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Land | \$ 985 | \$ 985 | \$ 154 | \$ 154 | \$ 1,139 | \$ 1,139 | 0% |
| Construction in progress | 2,264 | 545 | 3,384 | 2,169 | 5,648 | 2,714 | 108% |
| Water plant & system | - | - | 34,677 | 34,677 | 34,677 | 34,677 | 0% |
| Wastewater plant & system | - | - | 20,172 | 20,172 | 20,172 | 20,172 | 0% |
| Buildings | 4,535 | 4,535 | - | - | 4,535 | 4,535 | 0% |
| Equipment | 1,766 | 1,707 | 2,473 | 2,458 | 4,239 | 4,165 | 2% |
| Vehicles | 1,878 | 1,446 | 1,895 | 1,895 | 3,773 | 3,341 | 13% |
| Infrastructure | 26,111 | 26,111 | - | - | 26,111 | 26,111 | 0% |
| Improvements | 1,968 | 1,968 | - | - | 1,968 | 1,968 | 0% |
| Total Capital Assets | \$39,507 | \$37,297 | \$62,755 | \$61,525 | \$102,262 | \$ 98,822 | 3% |
| Less: | | | | | | | |
| Accumulated depreciation | (16,733) | (15,006) | (27,781) | (26,392) | (44,514) | (41,398) | 8% |
| Capital Assets, net of Accumulated depreciation | \$22,774 | \$22,291 | \$34,974 | \$35,133 | \$ 57,748 | \$ 57,424 | 1% |

Long-Term Debt

The city ended the 2022-23 fiscal year with \$11.4 million in principal owed for the city's revenue bonds. The following is a breakdown of the outstanding principal by fund:

| | |
|-----------------|------------------|
| Water Fund | \$ 4,355,000 |
| Wastewater Fund | <u>7,045,000</u> |
| City Total: | \$ 11,400,000 |

For further detail, see Notes to the Basic Financial Statements, Long-Term Debt, contained in the CAFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PENSION ACCOUNTING MATTERS

The City's overall actuarially determined net pension liability was \$11.27 million at the end of fiscal year 2023. Compared to \$6.37 million at the end of fiscal year 2022. Additional information on the City's pension liability and related matters can be found in Note 5E to the CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fortuna, along with the rest of our nation, is emerging from one of the most difficult periods in recent history. For almost two-years, the COVID-10 pandemic dominated lives and impacted virtually everyone. In addition to the toll in human life, COVID-19 brought with it a worldwide economic recession resulting in record high unemployment, business closures, and a drop in economic activity. The local and national economies are realizing strong recovery in some areas, while other sectors appear to be very slow to recover, furthering belief that a "K" type recovery/recession will continue to occur. Fortunately, the City has benefited from the upside of the recovery. Some sales tax categories, such as automobile sales and online purchases, have been robust. The city continues to remain conservative, yet optimistic, in projecting revenues for the fiscal year 2023-24 budget anticipating stable revenue growth through the next fiscal year.

Future year expenditures are expected to continue to face cost pressures in maintaining existing and essential services to city residents. In particular, energy, pension, and health benefit costs have increased significantly over the past decade and are projected to increase again in 2023-24 and beyond. As the city monitors budget results during the current fiscal period; Council and staff are mindful to be financially prudent when prioritizing the services that are sustainable with existing revenue streams such as property and sales tax, grants, and fees for services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Fortuna, 621 Eleventh Street, P.O. Box 545, Fortuna, California 95540.

City of Fortuna
STATEMENT OF NET POSITION
June 30, 2023

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 15,892,696 | \$ 22,570,147 | \$ 38,462,843 |
| Net receivables | 2,526,968 | 587,507 | 3,114,475 |
| Prepayments | 3,011 | - | 3,011 |
| Inventory | - | 150,135 | 150,135 |
| Total current assets | <u>18,422,675</u> | <u>23,307,789</u> | <u>41,730,464</u> |
| Noncurrent assets: | | | |
| Notes receivable-long term | 14,893,516 | - | 14,893,516 |
| Loan receivable successor agency | 1,704,054 | - | 1,704,054 |
| Lease receivable | 964,079 | - | 964,079 |
| Capital assets not being depreciated | 3,290,196 | 3,537,859 | 6,828,055 |
| Capital assets being depreciated, net | 19,525,000 | 31,435,615 | 50,960,615 |
| Total noncurrent assets | <u>40,376,845</u> | <u>34,973,474</u> | <u>75,350,319</u> |
| Total assets | <u>58,799,520</u> | <u>58,281,263</u> | <u>117,080,783</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | <u>4,725,278</u> | <u>2,141,699</u> | <u>6,866,977</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 957,035 | 565,574 | 1,522,609 |
| Accrued liabilities | 178,655 | - | 178,655 |
| Compensated absences | - | 8,789 | 8,789 |
| Deposits | 41,372 | 69,770 | 111,142 |
| Accrued interest payable | - | 128,561 | 128,561 |
| Leases and bonds due in one year | - | 654,245 | 654,245 |
| Total current liabilities | <u>1,177,062</u> | <u>1,426,939</u> | <u>2,604,001</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 379,830 | 28,126 | 407,956 |
| Net pension liability | 7,970,319 | 3,297,600 | 11,267,919 |
| Revenue bonds due in more than one year | - | 10,810,000 | 10,810,000 |
| Premium from sale of bonds, net | - | 1,509,794 | 1,509,794 |
| Total noncurrent liabilities | <u>8,350,149</u> | <u>15,645,520</u> | <u>23,995,669</u> |
| Total liabilities | <u>9,527,211</u> | <u>17,072,459</u> | <u>26,599,670</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Leases | 930,302 | - | 930,302 |
| Pension related items | 1,163,867 | 354,696 | 1,518,563 |
| Total deferred inflows | <u>2,094,169</u> | <u>354,696</u> | <u>2,448,865</u> |
| NET POSITION | | | |
| Net investment in capital assets | 22,815,196 | 23,573,474 | 46,388,670 |
| Restricted for: | | | |
| Safety programs | 53,680 | | 53,680 |
| Affordable housing | 559,900 | - | 559,900 |
| Public works and streets | 1,993,133 | - | 1,993,133 |
| Economic development | 1,743,976 | - | 1,743,976 |
| Unrestricted | 24,737,533 | 19,422,333 | 44,159,866 |
| Total net position | <u>\$ 51,903,418</u> | <u>\$ 42,995,807</u> | <u>\$ 94,899,225</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position City Government | | | |
|--|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 2,365,729 | \$ - | \$ - | \$ - | \$ (2,365,729) | \$ - | \$ (2,365,729) |
| Public safety | 3,840,329 | 33,658 | - | - | (3,806,671) | - | (3,806,671) |
| Public works & streets | 2,832,697 | 912,502 | - | 2,567,738 | 647,543 | - | 647,543 |
| Parks and recreation | 1,700,784 | 1,195,070 | - | - | (505,714) | - | (505,714) |
| Sanitation | 84,005 | - | - | - | (84,005) | - | (84,005) |
| Business development and housing | - | - | - | - | - | - | - |
| Interest on long-term debt | - | - | - | - | - | - | - |
| Total governmental activities | <u>10,823,544</u> | <u>2,141,230</u> | <u>-</u> | <u>2,567,738</u> | <u>(6,114,576)</u> | <u>-</u> | <u>(6,114,576)</u> |
| Business-type activities: | | | | | | | |
| Water | 3,472,676 | 2,537,279 | 1,381,614 | - | - | 446,217 | 446,217 |
| Wastewater | 4,347,518 | 3,661,972 | 654,448 | - | - | (31,098) | (31,098) |
| Transit | 437,571 | 17,127 | 381,987 | - | - | (38,457) | (38,457) |
| Total business-type activities | <u>8,257,765</u> | <u>6,216,378</u> | <u>2,418,049</u> | <u>-</u> | <u>-</u> | <u>376,662</u> | <u>376,662</u> |
| Total City government | <u>\$ 19,081,309</u> | <u>\$ 8,357,608</u> | <u>\$ 2,418,049</u> | <u>\$ 2,567,738</u> | <u>(6,114,576)</u> | <u>376,662</u> | <u>(5,737,914)</u> |
| General revenues and transfers: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 694,633 | - | 694,633 |
| Sales taxes | | | | | 3,973,992 | - | 3,973,992 |
| Transient occupancy taxes | | | | | 782,808 | - | 782,808 |
| Other taxes | | | | | 35,526 | - | 35,526 |
| Property tax in lieu VLF | | | | | 1,443,652 | - | 1,443,652 |
| Other income | | | | | 1,731,333 | - | 1,731,333 |
| Unrestricted investment earnings | | | | | 547,915 | 453,375 | 1,001,290 |
| Transfers | | | | | (8,932) | 8,932 | - |
| Total general revenues and transfers | | | | | <u>9,200,927</u> | <u>462,307</u> | <u>9,663,234</u> |
| Change in net position | | | | | 3,086,351 | 838,969 | 3,925,320 |
| Net position, beginning | | | | | 48,817,067 | 42,156,838 | 90,973,905 |
| Net position, ending | | | | | <u>\$ 51,903,418</u> | <u>\$ 42,995,807</u> | <u>\$ 94,899,225</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

| | General Fund | HOME Grants | City Housing Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | | |
| Cash and investments | \$ 11,930,150 | \$ 233,542 | \$ 285,883 | \$ 3,443,121 | \$ 15,892,696 |
| Accounts receivable | 1,480,859 | - | - | 239,548 | 1,720,407 |
| Taxes receivable | 806,561 | - | - | - | 806,561 |
| Prepaid items | 3,011 | - | - | - | 3,011 |
| Notes receivable | 1,320 | 10,176,958 | 3,388,356 | 1,326,882 | 14,893,516 |
| Due from other funds | - | - | - | 309,632 | 309,632 |
| Loan receivable from successor agency | 1,704,054 | - | - | - | 1,704,054 |
| Lease receivable | 964,079 | - | - | - | 964,079 |
| Land held for resale | - | - | 41,716 | - | 41,716 |
| Total assets | <u>\$ 16,890,034</u> | <u>\$ 10,410,500</u> | <u>\$ 3,715,955</u> | <u>\$ 5,319,183</u> | <u>\$ 36,335,672</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 899,302 | \$ 1,241 | \$ - | \$ 56,492 | \$ 957,035 |
| Accrued liabilities | 178,655 | - | - | - | 178,655 |
| Due to other funds | - | - | - | 309,632 | 309,632 |
| Deposits | 41,372 | - | - | - | 41,372 |
| Total liabilities | <u>1,119,329</u> | <u>1,241</u> | <u>-</u> | <u>366,124</u> | <u>1,486,694</u> |
| Deferred inflows of resources: | | | | | |
| Lease | 930,302 | - | - | - | 930,302 |
| Long-term receivables | 1,704,054 | 10,176,958 | 3,388,356 | 1,326,882 | 16,596,250 |
| Total deferred inflows of resources | <u>2,634,356</u> | <u>10,176,958</u> | <u>3,388,356</u> | <u>1,326,882</u> | <u>17,526,552</u> |
| Fund balances: | | | | | |
| Non-spendable | 3,011 | - | - | - | 3,011 |
| Restricted for Safety programs | - | - | - | 53,680 | 53,680 |
| Restricted for economic development | - | - | - | 1,743,976 | 1,743,976 |
| Restricted for affordable housing | - | 232,301 | 327,599 | - | 559,900 |
| Restricted for streets and storm drains | - | - | - | 1,993,133 | 1,993,133 |
| Unassigned | 13,133,338 | - | - | (164,612) | 12,968,726 |
| Total fund balances | <u>13,136,349</u> | <u>232,301</u> | <u>327,599</u> | <u>3,626,177</u> | <u>17,322,426</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 16,890,034</u> | <u>\$ 10,410,500</u> | <u>\$ 3,715,955</u> | <u>\$ 5,319,183</u> | <u>\$ 36,335,672</u> |
| Total Governmental Fund Balances | | | | | \$ 17,322,426 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | | | | 22,773,480 |
| Long-term notes receivable do not provide current financial resources and are therefore reported as deferred inflows of resources | | | | | 16,596,250 |
| The net pension liability and related deferred outflows of resources and deferred inflows of resources do not provide or use current financial resources and are not reported in the funds | | | | | (4,408,908) |
| Some liabilities, including bonds, leases, compensated absences, and accrued interest are not due and payable in the current period and are therefore not reported in the funds | | | | | (379,830) |
| Net Position of Governmental Activities | | | | | <u>\$ 51,903,418</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2023

| | General Fund | HOME Grants | City Housing Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 694,633 | \$ - | \$ - | \$ - | \$ 694,633 |
| Sales taxes | 3,973,992 | - | - | - | 3,973,992 |
| Other taxes | 35,526 | - | - | - | 35,526 |
| Transient occupancy taxes | 782,808 | - | - | - | 782,808 |
| Property tax in lieu VLF | 1,443,652 | - | - | - | 1,443,652 |
| Licenses and permits | 912,502 | - | - | - | 912,502 |
| Fines and forfeits | 33,658 | - | - | - | 33,658 |
| Intergovernmental | 1,143,953 | 26,357 | - | 1,397,428 | 2,567,738 |
| Interest | 490,551 | 4,466 | 5,050 | 47,848 | 547,915 |
| Charges for services | 928,359 | - | 29,449 | 237,262 | 1,195,070 |
| Miscellaneous | 1,653,052 | - | 60,000 | 18,281 | 1,731,333 |
| Total revenues | <u>12,092,686</u> | <u>30,823</u> | <u>94,499</u> | <u>1,700,819</u> | <u>13,918,827</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,364,489 | 1,240 | - | - | 2,365,729 |
| Public safety | 5,160,686 | - | - | - | 5,160,686 |
| Public works & streets | 2,047,569 | - | - | 1,268,055 | 3,315,624 |
| Parks and recreation | 1,700,784 | - | - | - | 1,700,784 |
| Health and welfare | - | - | - | 84,005 | 84,005 |
| Business development and housing | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | 8,109 | 8,109 |
| Interest | - | - | - | - | - |
| Total expenditures | <u>11,273,528</u> | <u>1,240</u> | <u>-</u> | <u>1,360,169</u> | <u>12,634,937</u> |
| Excess (deficiency) of revenues over expenditures | <u>819,158</u> | <u>29,583</u> | <u>94,499</u> | <u>340,650</u> | <u>1,283,890</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Capital lease financing | | | | | |
| Transfers in | 464,438 | - | - | 190,748 | 655,186 |
| Transfers out | (664,118) | - | - | - | (664,118) |
| Total other financing sources (uses) | <u>(199,680)</u> | <u>-</u> | <u>-</u> | <u>190,748</u> | <u>(8,932)</u> |
| Net change in fund balances | 619,478 | 29,583 | 94,499 | 531,398 | 1,274,958 |
| Fund balances, July 1 | 12,516,871 | 202,718 | 233,100 | 3,094,779 | 16,047,468 |
| Fund balances, June 30 | <u>\$ 13,136,349</u> | <u>\$ 232,301</u> | <u>\$ 327,599</u> | <u>\$ 3,626,177</u> | <u>\$ 17,322,426</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 1,274,958 |
| <p>The changes in net position reported for governmental activities in the statement of activities is different because:</p> | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,209,805) exceeds depreciation (\$1,726,878) in the current period.</p> | 482,927 |
| <p>Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net position.</p> | 8,110 |
| <p>The recording of accrued compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities.</p> | (10,191) |
| <p>Long-term receivables are deferred in the funds until collected and available for use. In the statement of activities, no revenues are recognized from the collection of receivables.</p> | (20,925) |
| <p>The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | <u>1,351,472</u> |
| Changes in net position of governmental activities | <u>\$ 3,086,351</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2023

| | Enterprise Funds | | | |
|--|----------------------|----------------------|--------------------------|----------------------|
| | Water | Wastewater | Nonmajor Transit Fund | Total |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 8,267,871 | \$ 14,225,192 | \$ 77,084 | \$ 22,570,147 |
| Net receivables | 216,288 | 371,219 | - | 587,507 |
| Inventory | 133,005 | 17,130 | - | 150,135 |
| Total current assets | <u>8,617,164</u> | <u>14,613,541</u> | <u>77,084</u> | <u>23,307,789</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 26,996 | 126,695 | - | 153,691 |
| Construction in progress | 1,284,349 | 2,099,819 | - | 3,384,168 |
| Total capital assets not being depreciated | <u>1,311,345</u> | <u>2,226,514</u> | <u>-</u> | <u>3,537,859</u> |
| Capital assets being depreciated: | | | | |
| Collection system | - | 9,299,609 | - | 9,299,609 |
| Pumping system | - | 1,137,677 | - | 1,137,677 |
| Treatment system | - | 24,238,907 | - | 24,238,907 |
| Distribution and treatment system | 20,171,984 | - | - | 20,171,984 |
| Equipment | 862,175 | 1,611,493 | - | 2,473,668 |
| Vehicles | 980,776 | 603,148 | 310,870 | 1,894,794 |
| Less accumulated depreciation | <u>(9,670,063)</u> | <u>(17,896,231)</u> | <u>(214,730)</u> | <u>(27,781,024)</u> |
| Total capital assets being depreciated | <u>12,344,872</u> | <u>18,994,603</u> | <u>96,140</u> | <u>31,435,615</u> |
| Total noncurrent assets | <u>13,656,217</u> | <u>21,221,117</u> | <u>96,140</u> | <u>34,973,474</u> |
| Total assets | <u>22,273,381</u> | <u>35,834,658</u> | <u>173,224</u> | <u>58,281,263</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension plan deferrals | 876,742 | 1,181,891 | 83,066 | 2,141,699 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 333,840 | 230,011 | 1,723 | 565,574 |
| Compensated absences | 2,082 | 6,639 | 68 | 8,789 |
| Deposits | 69,770 | - | - | 69,770 |
| Accrued interest payable | 44,131 | 84,430 | - | 128,561 |
| Premium from sale of bonds, net | 17,758 | 46,487 | - | 64,245 |
| Bonds and Notes due within one year | 225,000 | 365,000 | - | 590,000 |
| Total current liabilities | <u>692,581</u> | <u>732,567</u> | <u>1,791</u> | <u>1,426,939</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 6,661 | 21,246 | 219 | 28,126 |
| Net pension liability | 1,324,233 | 1,785,118 | 188,249 | 3,297,600 |
| Revenue bonds and notes | 4,130,000 | 6,680,000 | - | 10,810,000 |
| Premium from sale of bonds, net | 417,315 | 1,092,479 | - | 1,509,794 |
| Total noncurrent liabilities | <u>5,878,209</u> | <u>9,578,843</u> | <u>188,468</u> | <u>15,645,520</u> |
| Total liabilities | <u>6,570,790</u> | <u>10,311,410</u> | <u>190,259</u> | <u>17,072,459</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension plan deferrals | 142,437 | 192,010 | 20,249 | 354,696 |
| Total deferred inflows of resources | <u>142,437</u> | <u>192,010</u> | <u>20,249</u> | <u>354,696</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 9,301,217 | 14,176,117 | 96,140 | 23,573,474 |
| Unrestricted | 7,135,679 | 12,337,012 | (50,358) | 19,422,333 |
| Total net position | <u>\$ 16,436,896</u> | <u>\$ 26,513,129</u> | <u>\$ 45,782</u> | <u>\$ 42,995,807</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 Proprietary Funds
 June 30, 2023

| | Enterprise Funds | | | |
|--|----------------------|----------------------|--------------------------|----------------------|
| | Water | Wastewater | Nonmajor Transit Fund | Total |
| OPERATING REVENUES | | | | |
| Sales of water | \$ 2,344,728 | \$ - | \$ - | \$ 2,344,728 |
| Service fees | 100,735 | 3,643,437 | 15,628 | 3,759,800 |
| Miscellaneous | 91,816 | 18,535 | 1,499 | 111,850 |
| Total operating revenues | <u>2,537,279</u> | <u>3,661,972</u> | <u>17,127</u> | <u>6,216,378</u> |
| OPERATING EXPENSES | | | | |
| Employee services | 1,107,472 | 1,344,775 | 210,935 | 2,663,182 |
| Contract services | 798,307 | 581,494 | 182,741 | 1,562,542 |
| Purchased power | 250,389 | 324,991 | - | 575,380 |
| Supplies and materials | 597,022 | 1,076,116 | 29,345 | 1,702,483 |
| Depreciation and amortization | 559,546 | 820,427 | 14,550 | 1,394,523 |
| Total operating expenses | <u>3,312,736</u> | <u>4,147,803</u> | <u>437,571</u> | <u>7,898,110</u> |
| Operating income (loss) | <u>(775,457)</u> | <u>(485,831)</u> | <u>(420,444)</u> | <u>(1,681,732)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Operating subsidiaries | 1,381,614 | 654,448 | 381,987 | 2,418,049 |
| Interest expense | (159,940) | (199,715) | - | (359,655) |
| Interest and investment revenue | 167,411 | 284,381 | 1,583 | 453,375 |
| Net nonoperating revenues (expenses) | <u>1,389,085</u> | <u>739,114</u> | <u>383,570</u> | <u>2,511,769</u> |
| Income (loss) before contributions and transfers | <u>613,628</u> | <u>253,283</u> | <u>(36,874)</u> | <u>830,037</u> |
| Contributions and transfers: | | | | |
| Transfer in | - | - | 8,932 | 8,932 |
| Transfer out | - | - | - | - |
| Net contributions and transfers | <u>-</u> | <u>-</u> | <u>8,932</u> | <u>8,932</u> |
| Change in net position | 613,628 | 253,283 | (27,942) | 838,969 |
| Total net position, July 1 | <u>15,823,268</u> | <u>26,259,846</u> | <u>73,724</u> | <u>42,156,838</u> |
| Total net position, June 30 | <u>\$ 16,436,896</u> | <u>\$ 26,513,129</u> | <u>\$ 45,782</u> | <u>\$ 42,995,807</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2023

| | Business-Type Activities-Enterprise Funds | | | |
|---|---|----------------------|--------------------------|----------------------|
| | Water | Wastewater | Nonmajor Transit Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 2,527,792 | \$ 3,664,999 | \$ 17,127 | \$ 6,209,918 |
| Payments to suppliers | (1,375,898) | (1,846,391) | (212,097) | (3,434,386) |
| Payments to employees for services | (1,249,898) | (1,533,818) | (213,023) | (2,996,739) |
| Net cash provided (used) by operating activities | <u>(98,004)</u> | <u>284,790</u> | <u>(407,993)</u> | <u>(221,207)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating subsidiaries | 1,381,614 | 654,449 | 381,987 | 2,418,050 |
| Transfers in | - | - | 8,932 | 8,932 |
| Transfers out | - | - | - | - |
| Net cash provided (used) by noncapital financing activities | <u>1,381,614</u> | <u>654,449</u> | <u>390,919</u> | <u>2,426,982</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital asset dispositions | (5,048) | (2) | - | (5,050) |
| Payments on long-term debt principal | (237,758) | (396,488) | - | (634,246) |
| Interest paid on long-term debt | (162,140) | (203,215) | - | (365,355) |
| Purchases of capital assets | (855,441) | (374,963) | - | (1,230,404) |
| Net cash provided (used) by capital and related financing activities | <u>(1,260,387)</u> | <u>(974,668)</u> | <u>-</u> | <u>(2,235,055)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 167,411 | 284,381 | 1,583 | 453,375 |
| Net cash provided (used) by investing activities | <u>167,411</u> | <u>284,381</u> | <u>1,583</u> | <u>453,375</u> |
| Net increase (decrease) in cash and cash equivalents | 190,634 | 248,952 | (15,491) | 424,095 |
| Cash and equivalents, July 1 | 8,077,237 | 13,976,240 | 92,575 | 22,146,052 |
| Cash and equivalents, June 30 | <u>\$ 8,267,871</u> | <u>\$ 14,225,192</u> | <u>\$ 77,084</u> | <u>\$ 22,570,147</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income | \$ (775,457) | \$ (485,831) | \$ (420,444) | \$ (1,681,732) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Depreciation and amortization expense | 559,546 | 820,427 | 14,550 | 1,394,523 |
| (Increase) decrease in deferred outflows of resources | (382,492) | (515,618) | (36,239) | (934,349) |
| Accounts receivable | (9,487) | 3,027 | - | (6,460) |
| Inventories | (167) | 1,950 | - | 1,783 |
| Increase (decrease) in accounts payable | 273,862 | 134,260 | (11) | 408,111 |
| Compensated absences | 1,409 | 4,856 | 226 | 6,491 |
| Deferred inflows of resources | (337,516) | (454,985) | (47,982) | (840,483) |
| Net pension liability | 576,173 | 776,704 | 81,907 | 1,434,784 |
| Customer deposits | (3,875) | - | - | (3,875) |
| Net cash provided (used) by operating activities | <u>\$ (98,004)</u> | <u>\$ 284,790</u> | <u>\$ (407,993)</u> | <u>\$ (221,207)</u> |
| Noncash Transactions | | | | |
| Bond premium amortization | <u>\$ 17,758</u> | <u>\$ 46,487</u> | <u>\$ -</u> | <u>\$ 64,245</u> |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2023

| | Private-Purpose Trust Fund |
|------------------------------------|---|
| | Successor Agency to the RDA Fund |
| Assets | |
| Cash and investments | \$ 324,645 |
| Due from other governments | 300,000 |
| Total assets | 624,645 |
| Liabilities | |
| Accrued expenses | 42,565 |
| Long-term debt: | |
| Due within one year | 305,125 |
| Due more than one year | 9,071,995 |
| Total liabilities | 9,419,685 |
| Net position (deficit): | |
| Held in trust for private purposes | \$ (8,795,040) |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
PRIVATE PURPOSE TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
For the year ended June 30, 2023

| | Private-Purpose Trust Fund |
|-------------------------------------|---|
| | Successor Agency to the RDA Fund |
| Additions | |
| Property tax | \$ 1,045,541 |
| Investment earnings | 303 |
| Total additions | 1,045,844 |
| Deductions | |
| Current | |
| Principal | 280,000 |
| Interest & other charges | (91,344) |
| Total deductions | 188,656 |
| Increase (decrease) in net position | 857,188 |
| Net position - beginning | (9,652,228) |
| Net position - ending | \$ (8,795,040) |

The accompanying notes are an integral part of these financial statements.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Fortuna (the City) is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable.

Blended Component Units - The Fortuna Public Financing Authority is a separate legal entity created for the purpose of improving the economic conditions of the City, making public improvements and providing financing for these purposes. This entity is governed by the City Council of the City of Fortuna and is therefore reported as if it was part of the City. The Authority is reported as part of the City's special revenue, capital projects and debt service funds. The component unit redevelopment agency was dissolved effective February 1, 2012 and all residual assets and liabilities are reported as private purpose fiduciary funds.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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*.

Fund Financial Statements - The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of 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 financial statements. 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.

Proprietary Funds - the City's Enterprise Funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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.

Because of their spending measurement *focus*, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

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

HOME Grant Fund - To account for grants and loans related to multi-family affordable housing projects.

City Housing Fund - To account for low- and moderate-income housing programs, and the residual assets from the dissolution of the housing fund of the City's dissolved redevelopment agency.

The City reports the following major proprietary funds:

Water and Wastewater Funds – To account for the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (concluded)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and wastewater enterprise funds are charges to the customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Bond Premiums *and* Discounts/Issuance Costs for governmental-wide financial statements and proprietary funds financial statements - issuance costs are recognized during the current period. Any bond premiums and discounts are capitalized and amortized over the life of the bonds. Bond proceeds, premiums and discounts are reported as other financing sources in the governmental fund financial statements.

Fiduciary Funds

Trust Funds and Agency Funds are used to account for assets held by the City as an agent or trustee for individuals, private organizations, and other governments. The Successor Agency Private-purpose Trust Funds account for receipt of incremental property tax and payment of enforceable obligations (debts) assumed by the Successor Agency from the former Redevelopment Agency. The financial activities of these funds are excluded from the Government-wide financial statements but are presented in separate Fiduciary Fund financial statements.

D. Assets, Liabilities, Net Position or Equity

Deposits and Investments

The City's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool, the Humboldt County Treasurer's Pool and other permitted investments.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool and the Humboldt County Treasurer's Pool operate in accordance with appropriate state laws and regulations. The reported value in the pools is the same as the fair value of the pool shares.

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|---------------------------------|----------------------------------|
| Local Agency Investment Fund (State Pool) | N/A | None | \$75 million |
| U.S. Treasury Obligations | N/A | None | None |
| U.S. Government Agency Issues | N/A | None | None |
| Medium-term Corporate Notes | 5 years | 30% | None |
| Insured Passbook on Demand Deposits with Banks and Savings and Loans | N/A | None | \$250,000 |
| Certificates of Deposit | 2 years | None | \$250,000 |
| Foreign/Domestic | 180 days | 40% | None |
| Mutual Funds (must be comprised of eligible securities permitted under this policy) | N/A | None | None |
| Money Market Funds (must be comprised of eligible securities permitted under this policy) | N/A | None | None |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position or Equity (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Expenditures for long-term notes receivable are reported in the fund statements when made; and the related receivable is recorded as an asset in the fund statements but is offset by deferred inflows of resources accounts until the receivables are realized by the funds. Long-term receivables are recorded as assets in the statement of net position when the transaction is consummated by the City and are not offset by deferred inflows of resources accounts.

Property Taxes

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Humboldt collects the taxes and distributes them to taxing jurisdictions based on assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the “Teeter Plan”. Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

Leases Receivable

The City is a lessor for leases of ground space. The City recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position or Equity (continued)

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles and \$10,000 for other capital assets having an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the City was not required to record infrastructure assets existing or acquired prior to July 1, 2003; and the City has not recorded such assets. The City may elect to record such infrastructure assets in the future. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

| | |
|------------------------------|-------------|
| Buildings and improvements | 25 years |
| Public domain infrastructure | 20 years |
| System infrastructure | 15-50 years |
| Vehicles and equipment | 5 years |

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain 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. Unpaid sick leave is considered a general fund obligation, and it is recorded in the general fund only when current financial resources are required. The entire liability is reported in the statement of net position for governmental activities in the government-wide financial statements.

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.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position or Equity (continued)

Bond Premiums Discounts/Issuance Costs for Governmental-wide Financial Statements and Proprietary Funds Financial Statements

Issuance costs are recognized during the current period. Any bond premiums and discounts are capitalized and amortized over the life of the bonds. Bond proceeds, premiums and discounts are reported as other financing sources in the governmental fund financial statements.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of California Public Employees Retirement System (PERS) and additions to or deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by the PERS. 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 at fair value.

Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

Net Position

GASB Statement 34 added 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.

Net Position is the excess of all City assets over its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

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

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements outside parties, governmental regulations, laws, or other restrictions that the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low- and moderate-income purposes.

Unrestricted describes the portion of Net Position that is not restricted as to use.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, Net Position or Equity (concluded)

Fund Balances - Governmental Funds

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) non-spendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts.

Nonspendable amounts are generally items not expected to be converted into cash within a short period of time such that the cash would not be available to pay reported liabilities of the current period. These non-spendable items typically include inventories, prepayments, long-term receivables not offset by deferred revenue accounts, and advances by the City to its component unit redevelopment agency. *Restricted* amounts include those where the constraints placed on the uses or resources are externally imposed by grantors, contributors, other governments or by laws and regulations. *Committed* amounts are those that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. *Assigned* amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City's Finance Director or City Manager. *Assigned* amounts can be redeployed for other uses by direction of the City Manager or Finance Director. *Unassigned* fund balance amounts are the residual amounts of the General Fund only or funds having deficit fund balances.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Fund Balance and Net Position Deficits

The following funds had deficit fund balances at June 30, 2023. Deficits will be covered by future revenues and/or General Fund transfers.

| <u>Special Revenue Funds</u> | |
|------------------------------|-------------------|
| Fund 240 Abatement | Fund 351 FEMA |
| Fund 300 Special Grants | Fund 270 STIP/TEA |

The Special Revenue funds are expected to have their deficit eliminated through grant reimbursements for prior year expenditures and transfers from the General Fund.

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance — total governmental funds* and *net position — governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$22,773,480 difference are as follows:

| | |
|--|----------------------|
| Capital assets | \$ 39,506,876 |
| Accumulated depreciation | <u>(16,733,396)</u> |
| Net adjustment to increase <i>fund balance — total governmental funds</i> to arrive at <i>net position — governmental activities</i> | <u>\$ 22,773,480</u> |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (concluded)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (concluded)

Another element of the reconciliation explains that “long-term liabilities” are not due and payable in the current period and are therefore not reported in the funds. The details of this \$(379,830) difference are as follows:

Long-Term Debt Obligations:

| | |
|--|---------------------|
| Capital leases | \$ - |
| Unpaid vacation and sick leave | (379,830) |
| Net adjustment to decrease <i>fund balance — total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u>\$ (379,830)</u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances — total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,811,393 difference and other significant components of the difference are as follows:

| | |
|---|---------------------|
| Capital outlay | \$ 2,209,805 |
| Depreciation expense | (1,726,878) |
| Repayment of long-term debt principal | (2,081) |
| Long-term notes receivable | (20,925) |
| Net pension liability and related deferrals | <u>1,351,472</u> |
| Net adjustment to decrease <i>net changes in fund balances — total governmental funds</i> to arrive at <i>changes in net position – governmental activities</i> | <u>\$ 1,811,393</u> |

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. On or before the end of each fiscal year, all agencies of the City submit requests for appropriations to the City Manager so that a budget may be prepared. By May 15 of each year, the proposed budget is presented to the Council for review. The Council holds public hearings, and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Council made no supplemental budgetary appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds. The General Fund expenditures exceeded appropriations by \$146,877.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Cash Equivalents and Investments

Deposits and investments consisted of the following at June 30, 2023:

| | |
|--|-------------------------------|
| Statement of net position: | |
| Cash and investments | \$ 38,462,843 |
| Successor Agency (Fiduciary Funds) | <u>324,645</u> |
| Total cash and investments | <u>\$ 38,787,488</u> |
| Cash and investments consist of the following: | |
| | Maturity 12 Months or Less |
| Cash on hand | \$ 1,697 |
| Deposits with financial institutions | 14,442,507 |
| Humboldt County | 73,876 |
| Investments in LAIF | <u>24,269,408</u> |
| Total cash and investments | <u>\$ 38,787,488</u> |

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the City's name and places the City ahead of general creditors of the institution.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City has a formal policy which limits City purchased investments to securities having a remaining maturity date from time of purchase to five years or less.

Credit Risk - The City's investment policy limits investments in mutual and money market funds to the top two ratings issued by nationally recognized statistical ratings organizations. Investments in obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require the disclosure of credit quality. The Local Agency Investment Fund and Humboldt County Treasurer's Investment Pool are unrated. The JP Morgan Money Market Fund was rated AAA.

Concentration of Credit Risk - Investments explicitly guaranteed by the U.S. Government and investments in mutual funds, and external investment pools such as those held by the City are excluded from concentration of credit risk disclosures.

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 deposits and 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 requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Cash Equivalents and Investments (concluded)

Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California agents of depository is held for, and in the name of, the local government.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties. The City's investments in the Local Agency Investment Fund and Humboldt County Treasurer's Pool were an uncategorized input and not defined as a Level 1-3 input.

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts

| | General Fund | HOME & City Housing Funds | Nonmajor Funds | Total Governmental | Water Enterprise | Wastewater and Transit Enterprise |
|-----------------------|---------------------|---------------------------------|---------------------|-----------------------|---------------------|---|
| Receivables: | | | | | | |
| Taxes | \$ 806,561 | \$ - | \$ - | \$ 806,561 | \$ - | \$ - |
| Accounts | <u>1,480,859</u> | - | <u>239,548</u> | <u>1,720,407</u> | <u>216,288</u> | <u>371,219</u> |
| Subtotal current | <u>2,287,420</u> | - | <u>239,548</u> | <u>2,526,968</u> | <u>216,288</u> | <u>371,219</u> |
| Loan receivable | 1,704,054 | - | - | 1,704,054 | - | - |
| Notes receivable | <u>1,320</u> | <u>13,565,314</u> | <u>1,326,882</u> | <u>14,893,516</u> | - | - |
| Net total receivables | <u>\$ 3,992,794</u> | <u>\$ 13,565,314</u> | <u>\$ 1,566,430</u> | <u>\$ 19,124,538</u> | <u>\$ 216,288</u> | <u>\$ 371,219</u> |

Revenues of the water and wastewater enterprises are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are not material at year-end.

Long-term notes receivable of \$14,893,516 consists of two notes relating to affordable housing projects for \$10,176,958 (with accumulated and unpaid interest) and various other notes for \$4,716,558 relating to business development and redevelopment projects. The notes for \$10,176,958 bear interest at 3 percent per annum, mature in 55 years, and are repayable annually to the extent that the housing projects have residual receipts with the unpaid balance due at maturity. The notes are secured by a deed of trust on the housing projects. The other notes are generally repayable in monthly installments of principal and interest at various rates and terms.

The loan receivable of \$1,704,054 in the General Fund is the amount determined to be an enforceable obligation of the successor agency to the former redevelopment agency of the City. When the redevelopment agency was dissolved in fiscal year 2012, previously approved loans between the City and the former redevelopment agency were deemed to not be an enforceable obligation of the successor agency under the dissolution rules and were written off at that time. The Dissolution Act further provided that after a successor agency receives a Finding of Completion by the California Department of Finance, such previously disallowed loans may be deemed to be enforceable obligations of the successor agency and repayable to the City. The successor agency has received its Finding of Completion, and the Oversight Board has approved the loan agreement and its validity as an enforceable obligation.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (concluded)

The loan is repayable in semiannual installments to the extent that funds are available under the formula-based method specified in the dissolution rules which also contain a provision that 20 percent of any such repayment shall be placed by the City in its Low- and Moderate-Income Housing Fund.

C. Leases Receivable

The City leases ground space to Verizon Wireless. The Lease began in July 1996 and has a term of 40 years and expires on June 30, 2036. Under the lease, Verizon pays the City \$4,529 per month. Rent is increased every 12 months on July 1st by the change in the consumer price index.

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%. The rate was determined using the estimated incremental borrowing rate.

In fiscal year 2023, the City recognized \$71,568 of lease revenue and \$769 of interest revenue under the leases. The expected future minimum lease payments to be received are as follows:

| Fiscal Year End | Principal | Interest | Total |
|-----------------|-------------------|------------------|-------------------|
| 6/30/24 | \$ 57,987 | \$ 801 | \$ 58,788 |
| 6/30/25 | 60,308 | 832 | 61,140 |
| 6/30/26 | 62,709 | 867 | 63,576 |
| 6/30/27 | 65,222 | 898 | 66,120 |
| 6/30/28 | 67,838 | 934 | 68,772 |
| 6/30/29 | 70,548 | 972 | 71,520 |
| 6/30/30 | 73,364 | 1,012 | 74,376 |
| 6/30/31 | 76,300 | 1,052 | 77,352 |
| 6/30/32 | 79,353 | 1,095 | 80,448 |
| 6/30/33 | 82,525 | 1,139 | 83,664 |
| 6/30/34 | 85,829 | 1,183 | 87,012 |
| 6/30/35 | 89,260 | 1,232 | 90,492 |
| 6/30/36 | 92,836 | 1,280 | 94,116 |
| Total | <u>\$ 964,079</u> | <u>\$ 13,297</u> | <u>\$ 977,376</u> |

| | Balance 7/1/22 | Increases | Decreases | Balance 6/30/23 |
|-------------------------------------|---------------------|-------------|------------------|--------------------|
| Lease Deferred Inflows Amortization | <u>\$ 1,001,870</u> | <u>\$ -</u> | <u>\$ 71,568</u> | <u>\$ 930,302</u> |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance 7/1/22 | Increases | Decreases | Balance 6/30/23 |
|---|----------------------|---------------------|----------------|----------------------|
| Governmental-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 984,966 | \$ - | \$ - | \$ 984,966 |
| Construction in progress | <u>545,190</u> | <u>1,718,324</u> | <u>-</u> | <u>2,263,514</u> |
| Total capital assets not being depreciated: | <u>1,530,156</u> | <u>1,718,324</u> | <u>-</u> | <u>3,248,480</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 4,535,329 | - | - | 4,535,329 |
| Improvements | 1,967,516 | - | - | 1,967,516 |
| Equipment | 1,706,559 | 59,709 | - | 1,766,268 |
| Vehicles | 1,446,171 | 431,772 | - | 1,877,943 |
| Infrastructure—primarily street systems | <u>26,111,340</u> | <u>-</u> | <u>-</u> | <u>26,111,340</u> |
| Total capital assets being depreciated: | <u>35,766,915</u> | <u>491,481</u> | <u>-</u> | <u>36,258,396</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,427,571) | (132,271) | - | (3,559,842) |
| Improvements | (1,316,482) | (64,133) | - | (1,380,615) |
| Equipment | (1,579,177) | (65,938) | - | (1,645,115) |
| Vehicles | (1,284,305) | (163,434) | - | (1,447,739) |
| Infrastructure | <u>(7,398,983)</u> | <u>(1,301,102)</u> | <u>-</u> | <u>(8,700,085)</u> |
| Total accumulated depreciation | <u>(15,006,518)</u> | <u>(1,726,878)</u> | <u>-</u> | <u>(16,733,396)</u> |
| Net capital assets being depreciated | <u>20,760,397</u> | <u>1,235,397</u> | <u>-</u> | <u>19,525,000</u> |
| Total net capital assets – Governmental-type activities | <u>\$ 22,290,553</u> | <u>\$ 482,927</u> | <u>\$ -</u> | <u>\$ 22,773,480</u> |
| | | | | |
| | Balance 7/1/22 | Additions | Deletions | Balance 6/30/23 |
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 153,691 | \$ - | \$ - | \$ 153,691 |
| Construction in progress | <u>2,169,318</u> | <u>1,214,850</u> | <u>-</u> | <u>3,384,168</u> |
| Total capital assets not being depreciated: | <u>2,323,009</u> | <u>1,214,850</u> | <u>-</u> | <u>3,537,859</u> |
| Capital assets being depreciated: | | | | |
| Wastewater collection system | 9,299,609 | - | - | 9,299,609 |
| Wastewater pumping | 1,137,677 | - | - | 1,137,677 |
| Wastewater treatment plant | 24,238,907 | - | - | 24,238,907 |
| Water treatment and distribution | 20,171,984 | - | - | 20,171,984 |
| Equipment | 2,458,114 | 19,574 | 4,020 | 2,473,668 |
| Vehicles | <u>1,894,794</u> | <u>-</u> | <u>-</u> | <u>1,894,794</u> |
| Total capital assets, being depreciated: | <u>59,201,085</u> | <u>19,574</u> | <u>4,020</u> | <u>59,216,639</u> |
| Less accumulated depreciation for: | | | | |
| Wastewater system | (17,075,805) | (820,427) | - | (17,896,232) |
| Water system | (9,114,536) | (559,546) | (4,020) | (9,670,062) |
| Transit system | <u>(200,179)</u> | <u>(14,551)</u> | <u>-</u> | <u>(214,730)</u> |
| Total accumulated depreciation | <u>(26,390,520)</u> | <u>(1,394,524)</u> | <u>(4,020)</u> | <u>(27,781,024)</u> |
| Net capital assets being depreciated | <u>32,810,565</u> | <u>(1,374,950)</u> | <u>-</u> | <u>31,435,615</u> |
| Total net capital assets - Business-type activities | <u>\$ 35,133,574</u> | <u>\$ (160,100)</u> | <u>\$ -</u> | <u>\$ 34,973,474</u> |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (concluded)

Depreciation was charged to functions/programs of the City as follows:

Government Activities:

| | |
|--|--------------|
| Streets | \$ 1,726,878 |
| Total depreciation expense – governmental activities | \$ 1,726,878 |

Business-type Activities:

| | |
|---|--------------|
| Water | \$ 559,546 |
| Wastewater | 820,427 |
| Transit | 14,550 |
| Total depreciation expense – business-type activities | \$ 1,394,523 |

E. Inter-fund Transfers and Intergovernmental Expenditures

The transfers out of the general fund were made for the purpose of providing debt service funds for repayment of long-term obligations.

The composition of inter-fund balances was as follows:

| | Transfer In | Transfer Out |
|------------------|-------------|--------------|
| General Fund | \$ 464,438 | \$ 664,118 |
| Transit | 8,932 | - |
| Abatement | 5,000 | - |
| Gas Tax | 140,748 | - |
| Integrated waste | 45,000 | - |
| Total | \$ 664,118 | \$ 664,118 |

The above balances generally resulted from a time lag between the dates that inter-fund goods and services are provided, or reimbursable expenditures occur, transactions are recorded in the accounting system, and payment between funds are made.

The composition of Due To/Due From was:

| | Receivable | Payable |
|-------------------------|------------|------------|
| FEMA | \$ - | \$ 89,516 |
| Business revolving loan | 309,632 | - |
| Gas tax 2105 | - | 20,593 |
| STIP/TEA | - | 124,966 |
| Abatement Fund | - | 16,453 |
| Special grants | - | 58,104 |
| Total | \$ 309,632 | \$ 309,632 |

These interfund transactions were done to offset negative cash balances.

F. Long-Term Debt

Water Revenue Bonds - During the 2007 fiscal year, the City's Public Financing Authority issued \$8,085,000 in water revenue bonds, series 2006 for the purpose of providing long-term financing for the water treatment plant project of the City. The Fortuna Public Financing Authority entered into an installment sale agreement with the City whereby the City agreed to pay debt service on the bonds in exchange for financing.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (concluded)

The installment sale agreement between the City and its Public Financing Authority has been eliminated from these financial statements. The revenue bonds bear interest at rates from 3.375% to 5.0% and are payable each April 1 and October 1 through 2037. The bonds are secured by a pledge of the water system net revenues. These bonds were refunded by the Water Revenue Refunding Bonds, Series 2017.

Wastewater Revenue Bonds - During the 2007 fiscal year, the City's Public Financing Authority issued \$13,820,000 in wastewater revenue bonds, series 2006 for the purpose of providing long-term financing for the wastewater treatment plant project of the City. The Fortuna Public Financing Authority entered into an installment sale agreement with the City whereby the City agreed to pay the debt service on the bonds in exchange for the financing. These bonds were refunded by the Wastewater Revenue Refunding Bonds, Series 2017.

Wastewater Revenue Refunding Bonds, Series 2017 - In November 2017, the City issued \$8,740,000 in Wastewater Revenue Refunding Bonds, Series 2017 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to refund the \$11,010,000 of outstanding 2007 Wastewater revenue bonds which had interest rates ranging from 3.25% to 5.0%.

The net proceeds of \$10,999,950 from the Wastewater Revenue Refunding Bonds, Series 2017 (including a \$1,394,652 premium and after payment of \$263,273 in underwriting fees and other issuance costs) were used to redeem the refunded bonds soon thereafter. The City refunded the 2007 Wastewater revenue bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$1,664,447.

Future debt service in the Wastewater Revenue Refunding Bonds, Series 2017 is as follows:

| <u>Period Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Service</u> |
|----------------------|---------------------|---------------------|----------------------|
| 10/1/2023 | \$ 365,000 | \$ 337,719 | \$ 702,719 |
| 10/1/2024 | 375,000 | 322,469 | 697,469 |
| 10/1/2025 | 395,000 | 303,719 | 698,719 |
| 10/1/2026 | 415,000 | 283,969 | 698,969 |
| 10/1/2027 | 440,000 | 263,219 | 703,219 |
| 10/1/2028 | 460,000 | 241,219 | 701,219 |
| 10/1/2029 | 485,000 | 218,219 | 703,219 |
| 10/1/2030 | 510,000 | 193,969 | 703,969 |
| 10/1/2031 | 535,000 | 168,469 | 703,469 |
| 10/1/2032 | 560,000 | 141,719 | 701,719 |
| 10/1/2033 | 585,000 | 113,719 | 698,719 |
| 10/1/2034 | 615,000 | 84,469 | 699,469 |
| 10/1/2035 | 635,000 | 65,250 | 700,250 |
| 10/1/2036 | 670,000 | 33,500 | 703,500 |
| Total | <u>\$ 7,045,000</u> | <u>\$ 2,771,625</u> | <u>\$ 9,816,625</u> |

Water Revenue Refunding Bonds, Series 2017 - In November 2017, the City issued \$5,405,000 in Water Revenue Refunding Bonds, Series 2017 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to refund the \$6,750,000 of outstanding 2007 Water revenue bonds which had interest rates ranging from 3.375% to 5.0%. The net proceeds of \$6,798,087 from the Wastewater Revenue Refunding Bonds, Series 2017 (including a \$532,742 premium and after payment of \$218,020 in underwriting fees and other issuance costs) were used to redeem the refunded bonds soon thereafter. The City refunded the 2007 Water revenue bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$1,045,437.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Future debt service in the Water Revenue Refunding Bonds, Series 2017 is as follows:

| <u>Period Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|---------------------|---------------------|
| 10/1/2023 | \$ 225,000 | \$ 176,525 | \$ 401,525 |
| 10/1/2024 | 240,000 | 165,275 | 405,275 |
| 10/1/2025 | 250,000 | 153,275 | 403,275 |
| 10/1/2026 | 265,000 | 140,775 | 405,775 |
| 10/1/2027 | 275,000 | 127,525 | 402,525 |
| 10/1/2028 | 290,000 | 113,775 | 403,775 |
| 10/1/2029 | 305,000 | 99,275 | 404,275 |
| 10/1/2030 | 320,000 | 87,075 | 407,075 |
| 10/1/2031 | 335,000 | 74,275 | 409,275 |
| 10/1/2032 | 345,000 | 60,875 | 405,875 |
| 10/1/2033 | 360,000 | 47,075 | 407,075 |
| 10/1/2034 | 370,000 | 36,275 | 406,275 |
| 10/1/2035 | 380,000 | 24,713 | 404,713 |
| 10/1/2036 | 395,000 | 12,838 | 407,838 |
| Total | <u>\$ 4,355,000</u> | <u>\$ 1,319,550</u> | <u>\$ 5,674,550</u> |

Changes in Long-term liabilities - Long-term debt activity for the 2023 fiscal year was as follows:

| <u>Governmental Type</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reduction</u> | <u>Ending Balance</u> | <u>Due Within One year</u> |
|--------------------------|--------------------------|------------------|------------------|-----------------------|----------------------------|
| PGE Loan | \$ 8,110 | \$ - | \$ 8,110 | \$ - | \$ - |
| Compensated absences | 369,639 | 10,191 | - | 379,830 | - |
| Total | <u>\$ 377,749</u> | <u>\$ 10,191</u> | <u>\$ 8,110</u> | <u>\$ 379,830</u> | <u>\$ -</u> |

| <u>Business Type</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Due Within One year</u> |
|-----------------------|--------------------------|------------------|-------------------|-----------------------|----------------------------|
| 2017 Water Bonds | \$ 4,575,000 | \$ - | \$ 220,000 | \$ 4,355,000 | \$ 225,000 |
| 2017 Wastewater Bonds | 7,395,000 | - | 350,000 | 7,045,000 | 365,000 |
| Bond premiums | 1,638,288 | - | 64,245 | 1,574,043 | 64,245 |
| Total | <u>\$13,608,288</u> | <u>\$ -</u> | <u>\$ 634,245</u> | <u>\$12,974,043</u> | <u>\$ 654,245</u> |

Compensated Absences - It is the government's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when certain employees separate from service with the City. All vacation and sick leave are accrued when incurred in the government-wide financial statements. The liability for vacation and sick leave is recorded in the fund financial statements only when immediately due and payable, such as amounts that arise from employee retirements.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Totals</u> |
|---------------------|--------------------------------|---------------------------------|-------------------|
| Current portion | \$ - | \$ 8,789 | \$ 8,789 |
| Non-current portion | 379,830 | 28,126 | 407,956 |
| Total | <u>\$ 379,830</u> | <u>\$ 36,915</u> | <u>\$ 416,745</u> |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 - DETAILED NOTES ON ALL FUNDS (concluded)

F. Long-Term Debt (concluded)

| | Governmental Activities | Business-Type Activities | Totals |
|-------------------|----------------------------|-----------------------------|-------------------|
| Beginning balance | \$ 369,639 | \$ 30,424 | \$ 400,063 |
| Additions | 10,191 | 11,692 | 21,883 |
| Deletions | - | 5,201 | 5,201 |
| Ending Balance | <u>\$ 379,830</u> | <u>\$ 36,915</u> | <u>\$ 416,745</u> |

NOTE 5 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City is a member of the Redwood Empire Municipal Insurance Fund, a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, property, and workers compensation claims. Under the program, the City has a \$10,000 general liability retention limit similar to a deductible with the Fund being responsible for losses above that amount up to \$500,000.

The Fund carries excess liability coverage to a total of \$40 million in excess of its \$500,000 retention limit per occurrence through the California Joint Powers Risk Management Authority and its excess insurers.

The Fund covers workers' compensation claims up to its self-insurance limit of \$1 million. A purchased excess policy insures the Fund for an additional \$1 million to provide aggregate coverage of up to \$2 million per claim. The City pays an annual premium to the Fund; the City may share in any surplus revenues or may be required to pay additional assessments based upon the Fund's operating results.

The Fund also provides property coverage up to \$300 million per occurrence. Financial statements of the JPA Fund may be obtained from their administrative offices located at 414 W. Napa Street, Sonoma, California 95476. The liability of the City is reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

B. Contingencies and Commitments

Litigation - The City is involved in litigation incurred in the normal course of conducting City business. City management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

C. Jointly Governed Organizations

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations:

Redwood Empire Municipal Insurance Fund - The City is a member of the Insurance Fund. The Fund, under the terms of a Joint Powers Agreement with the City and several other cities and governmental agencies, provides insurance coverage for general liability, automobile liability, and workers compensation claims.

Under the arrangement, the Fund purchases liability, automobile liability, and workers compensation insurance and charges participating cities and governmental agencies in amounts planned to match expenses of insurance premiums, estimated payments resulting from self-insurance programs, and operating expenses. The City's obligations are limited to contributions to pay for related insurance premiums.

D. Other Post-Employment Benefits

The City provides no post-employment benefits other than those associated with the Public Employees Retirement System.

E. Public Employee Pension Plans

Plan Description - The plans are a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS is governed by a 13-member Board of Administration with six elected members, three appointed members and four ex officio members, who include the State Treasurer, the State Controller, the Director of the California Department of Human Services, and a designee of the State Personnel Board.

Benefits Provided - The CalPERS provides retirement, disability, and death benefits. Retirement benefits are defined as 2.5 percent of the employees final 12 months average compensation times the employee's years of service (2.0 percent for safety employees) Employees with 10 years of continuous service are eligible to retire at age 55 (age 50 for safety employees) Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits equal an employee's final full-year salary. Both plans provide for a 2 percent Cost of Living Adjustment (COLA). The public safety plan is closed to new entrants.

Contributions - Section 20814 of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees 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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$11,267,919 for its proportionate share of the net pension liability for all plans. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

E. Public Employee Pension Plans (continued)

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 plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2023, the City's proportion was 0.09755 percent compared to 0.11769 at June 30, 2022. For the June 30, 2023 fiscal year, the City recognized pension expense of \$1,081,943. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>All Plans</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to the measurement date | \$ 2,773,463 | \$ - |
| Differences between actual and expected experience | 337,417 | 138,039 |
| Changes in assumptions | 1,146,075 | - |
| Net differences between projected and actual earnings on plan investments | 1,932,215 | - |
| Change in employer's proportion | 50,073 | 1,238,219 |
| Change in proportions and differences between actual contributions and proportionate share of contributions | <u>627,734</u> | <u>142,305</u> |
| Total | <u>\$ 6,866,977</u> | <u>\$ 1,518,563</u> |

The \$2,773,463 reported as deferred outflows of resources is related to pensions from City contributions made after the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 20, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|-----------------------------|---|
| 2024 | \$ (627,030) |
| 2025 | (502,816) |
| 2026 | (264,634) |
| 2027 | (1,180,471) |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ (2,574,951)</u> |

Actuarial Assumptions - For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Measurement Period | July 1, 2021 to June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.9% |
| Inflation | 2.3% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS membership data for all funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.3% until purchasing power |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

E. Public Employee Pension Plans (continued)

The mortality table used was developed based on CalPERS' specific data. Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Changes of Assumptions – There were no changes of assumptions for measurement date June 30, 2021.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits of cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1-10 ^{1,2}</u> |
|----------------------------------|---------------------------------|--|
| Global equity – cap-weighted | 30.00% | 4.45% |
| Global equity – non-cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

1. An expected inflation of 2.30% used for this period.
2. Figures are based on the 2021-22 Asset Liability Management study.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

E. Public Employee Pension Plans (concluded)

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

| | <u>All Plans</u> |
|-----------------------|------------------|
| 1% Decrease | 5.90% |
| Net Pension Liability | \$17,522,613 |
| Current Discount Rate | 6.90% |
| Net Pension Liability | \$11,267,919 |
| 1% Increase | 7.90% |
| Net Pension Liability | \$6,136,796 |

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2021, is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

F. Restricted Net Position and Non-spendable Fund Balances

Restricted Net Position

The \$4,350,689 restricted amount for debt service, safety programs, affordable housing, streets and other in the governmental activities statement of net position represents amounts to be used only for specific purposes and for which restrictions are imposed by laws, formal agreements or other governments and primarily relate to housing funds restricted by law to only certain specified uses.

Non-spendable Fund Balances

The non-spendable fund balances in the governmental fund types represent amounts not available for immediate use to pay current liabilities and consist of:

| <u>Non-spendable Amounts</u> | <u>General Fund</u> | <u>Nonmajor Funds</u> |
|------------------------------|---------------------|-----------------------|
| Prepaid items | \$ 3,011 | \$ - |

G. Successor Agency Trust for Assets of Former Redevelopment Agency

The Dissolution Process - On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the financial reporting entity of the City of Fortuna that previously had reported a redevelopment agency within the financial reporting entity of the City as a blended component unit. The bill provides that upon dissolution of a redevelopment agency, either the city or another governmental unit of local government will agree to serve as the successor agency to hold assets until they are distributed to other units of State and local government.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

G. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

The City Council of the City of Fortuna elected to have the City become the Successor Agency for the former redevelopment agency and to become the housing successor for the agency.

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 at the date of 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 revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between the 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 by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City (including the amounts disallowed by the State Department of Finance) and others are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on these issues is not a position of settled law and there is considerable legal uncertainty regarding these issues. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial or other authorized body that would resolve any of the dissolution matters unfavorable 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.

Enforceable Obligations

2007 Revenue Bonds - Successor Agency Obligations

The City and its former component unit redevelopment agency entered into a loan agreement with the Fortuna Public Financing Authority (also a component unit of the City), dated October 1, 2007, wherein the Authority sold \$17,500,000 in its revenue bonds, series 2007. From the sale of the Authority's Revenue bonds, \$13,280,000 was loaned to the component unit redevelopment agency and \$4,220,000 was loaned to the City. The loans receivable and payable between the City and the City's former redevelopment agency and the City's component unit Financing Authority have been eliminated from the accompanying financial statements.

From the bond proceeds, the former redevelopment agency deposited \$2,525,000 into an Escrowed Project Fund Account until October 15, 2010, of the escrow bonds which bonds are defined as the bonds maturing November 1, 2038 with an interest rate of 4.9 percent. On October 15, 2010 the Trustee shall transfer all amounts then on deposit in the Escrowed Project Fund to the Principal Fund, to be applied to the mandatory redemption on November 1, 2010 of Escrow Bonds pursuant to Section 4.07 of the Trust Agreement. Notwithstanding the foregoing, the former Agency may postpone such redemption to any later date identified in a certificate of the former Agency which sets forth the new date for the transfer of amounts in the Escrowed Project Fund to the Principal Fund to be used to redeem Escrow Bonds pursuant to Section 4.07 of the Trust Agreement and which is accompanied by cash in an amount which is certified by the former Agency as sufficient, together with the earnings thereon, to pay interest on the portion of the Escrow Bonds which represent the funds then on deposit in the Escrowed Project Fund from November 1, 2010 to the redemption date as identified in such certificate of the Agency. The former Agency exercised its option to postpone this redemption until November 1, 2011. The redemption of the \$2,525,000 was completed in fiscal 2014 by the Successor Agency.

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - OTHER INFORMATION (continued)

G. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

The 2007 revenue bonds mature each November 1, commencing November 1, 2008 through 2038, bear interest at rates from 3.75 to 5.0 percent and consist of \$5,365,000 in serial bonds, \$4,110,000 in term bonds due November 2031, \$2,525,000 in term bonds due November 1, 2038 (the escrow bonds), and \$5,500,000 in term bonds due November 1, 2038. The bonds are subject to early redemptions from certain prepayments, bonds maturing on or after November 1, 2018 are subject to optional early redemption, the escrow bonds are subject to mandatory early redemption on November 1, 2010 and the term bonds maturing November 1, 2031 and 2038 are subject to mandatory sinking fund redemptions on or after November 1, 2024 and 2032, respectively.

The former redevelopment agency had pledged future incremental property tax revenues to repay its \$13,060,000 share of the 2007 revenue bonds. The agency's share of the revenue bonds was payable solely from the pledged tax increment revenues and from certain trust accounts held by the bond trustee. Total principal and interest remaining on the Successor Agency's share of the bonds is \$19,798,835. These bonds were refunded by the Tax Allocation Refunding Bonds, Series 2018.

Successor Agency Tax Allocation Refunding Bonds, Series 2018

In February 2018, the City issued \$8,635,000 in Tax Allocation Refunding Bonds, Series 2018 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to refund the \$9,760,000 of outstanding 2007 Revenue bonds which had interest rates ranging from 3.75% to 5.0%. The net proceeds of \$10,075,743 from the Tax Allocation Refunding Bonds, Series 2018 (including a \$303,756 premium and after payment of \$367,169 in underwriting fees and other issuance costs) were used to redeem the refunded bonds soon thereafter. The City refunded the 2007 Revenue bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$1,451,235.

Future debt service in the Tax Allocation Refunding Bonds, Series 2018 is as follows:

| <u>Period Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> |
|----------------------|---------------------|---------------------|---------------------|
| 11/1/2023 | \$ 295,000 | \$ 255,388 | \$ 550,388 |
| 11/1/2024 | 295,000 | 248,013 | 543,013 |
| 11/1/2025 | 320,000 | 233,263 | 553,263 |
| 11/1/2026 | 340,000 | 226,863 | 566,863 |
| 11/1/2027 | 360,000 | 220,063 | 580,063 |
| 11/1/2028 | 390,000 | 202,063 | 592,063 |
| 11/1/2029 | 420,000 | 182,563 | 602,563 |
| 11/1/2030 | 455,000 | 161,563 | 616,563 |
| 11/1/2031 | 495,000 | 138,813 | 633,813 |
| 11/1/2032 | 520,000 | 123,963 | 643,963 |
| 11/1/2033 | 545,000 | 108,363 | 653,363 |
| 11/1/2034 | 560,000 | 92,013 | 652,013 |
| 11/1/2035 | 580,000 | 75,213 | 655,213 |
| 11/1/2036 | 600,000 | 57,813 | 657,813 |
| 11/1/2037 | 615,000 | 39,063 | 654,063 |
| 11/1/2038 | 635,000 | 19,844 | 654,844 |
| | <u>\$ 7,425,000</u> | <u>\$ 2,384,856</u> | <u>\$ 9,809,856</u> |

City of Fortuna
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - OTHER INFORMATION (concluded)

G. Successor Agency Trust for Assets of Former Redevelopment Agency (concluded)

Loan City of Fortuna

On November 1, 2013, the City received from the State Department of Finance (DOF) a Finding of Completion Letter as regards the Successor Agency to the City's former redevelopment agency that had been dissolved effective February 1, 2012. The DOF letter authorized the City to request a finding be made by the Oversight Board to the Successor Agency that the City's loan agreements between the former redevelopment agency and the City be qualified as enforceable obligations of the Successor Agency under the laws governing the dissolution of the former agency. In addition, there is a requirement that the accumulated and unpaid interest on any such loans be recalculated using a DOF specified method, that any future repayments, if approved, are to be made subject to a specified formula, and that there will be amounts available pursuant to the formula that will enable the repayments to be made.

In addition, all such loan agreements, recalculations of interest, and formula-based repayments, are subject to approval of the Successor Agency's Oversight Board and the DOF. The DOF had initially denied approval of this loan as an enforceable obligation of the Successor Agency, but on May 16, 2014, the DOF rescinded this denial, and the loan was approved as an enforceable obligation with an effective date of July 1, 2014, which date has approval of both the DOF and the Successor Agency's Oversight Board. The City and the Successor Agency reinstated this loan for financial reporting purposes in fiscal 2015. The original repayment schedule was as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 230,124 | \$ 37,411 | \$ 267,535 |
| 2025-2030 | 1,436,519 | 122,510 | 1,559,029 |
| Total | <u>\$ 1,964,893</u> | <u>\$ 159,921</u> | <u>\$ 1,826,564</u> |

The degree to which the above repayment schedule will be realized by the Successor Agency is not determinable at this time.

Changes in Long-Term Enforceable Obligations

Changes in long-term enforceable obligations for the year ended June 30, 2023 were:

| <u>Private Purpose Trust</u> | <u>Beginning</u> | | | <u>Ending</u> | <u>Due Within</u> |
|------------------------------|---------------------|------------------|-------------------|---------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> | <u>One year</u> |
| 2018 Tax Allocation Bonds | \$ 7,705,000 | \$ - | \$ 280,000 | \$ 7,425,000 | \$ 295,000 |
| Bond premium | 258,192 | - | 10,125 | 248,067 | 10,125 |
| Loan City of Fortuna | 1,964,893 | - | 260,840 | 1,704,053 | - |
| Total | <u>\$ 9,928,085</u> | <u>\$ -</u> | <u>\$ 550,965</u> | <u>\$ 9,377,120</u> | <u>\$ 305,125</u> |

REQUIRED SUPPLEMENTAL
INFORMATION SECTION

City of Fortuna
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the fiscal year ended June 30, 2023

| | 2023 | | | Variance With Final Budget Over (Under) |
|--|-----------------------|-----------------------|----------------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Property tax | \$ 516,200 | \$ 516,200 | \$ 694,633 | \$ 178,433 |
| Sales tax | 4,083,000 | 4,083,000 | 3,973,992 | (109,008) |
| Other taxes | 27,200 | 27,200 | 35,526 | 8,326 |
| Transient occupancy taxes | 700,000 | 700,000 | 782,808 | 82,808 |
| Property tax in lieu VLF | 1,340,000 | 1,340,000 | 1,443,652 | 103,652 |
| Licenses and permits | 794,846 | 794,846 | 912,502 | 117,656 |
| Fines and forfeitures | 30,000 | 30,000 | 33,658 | 3,658 |
| Intergovernmental | 694,000 | 694,000 | 1,143,953 | 449,953 |
| Investment earnings | 165,000 | 165,000 | 490,551 | 325,551 |
| Charges for services | 895,100 | 895,100 | 928,359 | 33,259 |
| Miscellaneous | 31,000 | 31,000 | 1,653,052 | 1,622,052 |
| Total revenues | <u>9,276,346</u> | <u>9,276,346</u> | <u>12,092,686</u> | <u>2,816,340</u> |
| EXPENDITURES | | | | |
| General government | 1,906,330 | 2,025,537 | 2,364,489 | (338,952) |
| Public safety | 4,750,147 | 5,309,596 | 5,160,686 | 148,910 |
| Public works and streets | 1,927,670 | 1,968,477 | 2,047,569 | (79,092) |
| Parks and recreation | 1,661,582 | 1,823,041 | 1,700,784 | 122,257 |
| Total expenditures | <u>10,245,729</u> | <u>11,126,651</u> | <u>11,273,528</u> | <u>(146,877)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(969,383)</u> | <u>(1,850,305)</u> | <u>819,158</u> | <u>2,669,463</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 941,046 | 941,046 | 464,438 | (476,608) |
| Transfers out | (1,062,566) | (1,062,566) | (664,118) | 398,448 |
| Total other financing sources and (uses) | <u>(121,520)</u> | <u>(121,520)</u> | <u>(199,680)</u> | <u>(78,160)</u> |
| Net change in fund balance | <u>\$ (1,090,903)</u> | <u>\$ (1,971,825)</u> | 619,478 | <u>\$ 2,591,303</u> |
| Fund balance - beginning (restated) | | | <u>12,516,871</u> | |
| Fund balance - ending | | | <u>\$ 13,136,349</u> | |

City of Fortuna
CITY HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

| | 2023 | | | Variance With Final Budget Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Property tax | \$ - | \$ - | \$ - | \$ - |
| Sales tax | - | - | - | - |
| Other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Investment earnings | 500 | 500 | 5,050 | 4,550 |
| Charges for services | - | - | 29,449 | 29,449 |
| Miscellaneous | 60,000 | 60,000 | 60,000 | - |
| Total revenues | <u>60,500</u> | <u>60,500</u> | <u>94,499</u> | <u>33,999</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works and streets | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Business development and housing | - | - | - | - |
| Debt service: | | | | |
| Community development | 25,000 | 25,000 | - | 25,000 |
| Recreation and leisure | - | - | - | - |
| Total expenditures | <u>25,000</u> | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Excess (deficiency) of revenues over expenditures | <u>35,500</u> | <u>35,500</u> | <u>94,499</u> | <u>58,999</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources and (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 35,500</u> | <u>\$ 35,500</u> | 94,499 | <u>\$ 58,999</u> |
| Fund balance - beginning | | | 233,100 | |
| Fund balance - ending | | | <u>\$ 327,599</u> | |

City of Fortuna
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - ALL PLANS
 June 30, 2023

| | Miscellaneous Risk Pool | | | | | | | | |
|--|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Fiscal Year End</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Measurement Date</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Proportion of the net pension liability | 0.12932% | 0.06509% | 0.05737% | 0.05650% | 0.05732% | 0.05653% | 0.05635% | 0.05626% | 0.04767% |
| Proportion share of the net pension liability | \$ 6,051,337 | \$ 3,520,361 | \$ 6,242,335 | \$ 5,789,728 | \$ 5,523,979 | \$ 5,606,420 | \$ 4,875,960 | \$ 3,861,523 | \$ 2,966,501 |
| Covered - employee payroll | \$ 2,859,670 | \$ 2,363,708 | \$ 2,354,031 | \$ 2,259,591 | \$ 2,183,738 | \$ 1,961,439 | \$ 1,956,851 | \$ 1,916,943 | \$ 1,766,612 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 211.61% | 148.93% | 149.85% | 145.84% | 144.23% | 164.81% | 143.54% | 117.12% | 92.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.19% | 85.65% | 42.44% | 42.84% | 42.91% | 42.27% | 42.67% | 45.58% | 43.93% |

| | Safety Risk Pool | | | | | | | | |
|--|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Fiscal Year End</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Measurement Date</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Proportion of the net pension liability | 0.07592% | 0.0526% | 0.04416% | 0.04277% | 0.04322% | 0.04151% | 0.04146% | 0.04050% | 0.03896% |
| Proportion share of the net pension liability | \$ 5,216,582 | \$ 2,844,891 | \$ 4,804,296 | \$ 4,382,118 | \$ 4,164,545 | \$ 4,117,086 | \$ 3,587,924 | \$ 2,779,976 | \$ 2,424,153 |
| Covered - employee payroll | \$ 1,236,595 | \$ 1,783,149 | \$ 1,811,735 | \$ 1,710,234 | \$ 1,646,327 | \$ 1,440,387 | \$ 1,439,929 | \$ 1,380,040 | \$ 1,443,632 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 421.85% | 159.54% | 115.33% | 110.39% | 108.73% | 121.02% | 105.63% | 84.32% | 75.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.53% | 84.58% | 32.66% | 32.42% | 32.35% | 31.04% | 31.39% | 32.82% | 35.89% |

NOTES TO SCHEDULE:

Fiscal year 2015 was the 1st year of implementation.

City of Fortuna
SCHEDULE OF CONTRIBUTIONS - ALL PLANS
 June 30, 2023

| <u>Fiscal Year End</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>Miscellaneous Risk Pool</u> | | | | | | | | | |
| Contractually required contribution (actuarially determined) | \$ 761,139 | \$ 751,290 | \$ 930,044 | \$ 663,266 | \$ 771,079 | \$ 510,867 | \$ 451,381 | \$ 427,550 | \$ 352,387 |
| Contributions in relation to the actuarially determined contributions | <u>1,741,139</u> | <u>1,886,886</u> | <u>(930,044)</u> | <u>(663,266)</u> | <u>(771,079)</u> | <u>(510,867)</u> | <u>(451,381)</u> | <u>(427,550)</u> | <u>(352,387)</u> |
| Contribution deficiency (excess) | <u>\$ (980,000)</u> | <u>\$ (1,135,596)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 3,223,506 | \$ 2,334,871 | \$ 2,363,708 | \$ 2,354,031 | \$ 2,259,591 | \$ 2,183,738 | \$ 1,961,439 | \$ 1,956,851 | \$ 1,916,943 |
| Contributions as a percentage of covered-employee payroll | 54.01% | 32.18% | 39.35% | 28.18% | 34.12% | 23.39% | 23.01% | 21.85% | 18.38% |
| <u>Safety Risk Pool</u> | | | | | | | | | |
| Contractually required contribution (actuarially determined) | \$ 612,324 | \$ 566,762 | \$ 556,264 | \$ 468,825 | \$ 544,179 | \$ 369,424 | \$ 322,559 | \$ 296,164 | \$ 250,264 |
| Contributions in relation to the actuarially determined contributions | <u>1,032,324</u> | <u>971,166</u> | <u>(556,264)</u> | <u>(468,825)</u> | <u>(544,179)</u> | <u>(369,424)</u> | <u>(322,559)</u> | <u>(296,164)</u> | <u>(250,264)</u> |
| Contribution deficiency (excess) | <u>\$ (420,000)</u> | <u>\$ (404,404)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 1,407,821 | \$ 1,761,394 | \$ 1,783,149 | \$ 1,811,735 | \$ 1,710,234 | \$ 1,646,327 | \$ 1,440,387 | \$ 1,439,929 | \$ 1,380,040 |
| Contributions as a percentage of covered-employee payroll | 73.33% | 32.18% | 31.20% | 25.88% | 31.82% | 22.44% | 22.39% | 20.57% | 18.13% |

NOTES TO SCHEDULE:

Fiscal year 2015 was the 1st year of implementation.

SUPPLEMENTAL SECTION

City of Fortuna
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2023

| | Special Revenue | | | | | | | | | | |
|--|---------------------|-------------------------------|----------------------|-----------------------------------|-------------------------|------------------|-------------------|------------------------------|---|---------------------------|---------------------|
| | Integrated Waste | Storm Drain Maintenance | Drainage Facility | Trans- portation Fund SB325 | Engineering Fund 273 | Gas Tax 2105 | RMRA-SB1 | Business Improve- ment | Unrestricted Business Revolving Loan | RSTP HSIP and HCAOG | CDBG Business |
| Assets | | | | | | | | | | | |
| Cash and investments | \$ 103,270 | \$ 7,909 | \$ 381,823 | \$ 904,483 | \$ - | \$ - | \$ 307,199 | \$ 39,173 | \$ 303,457 | \$ 238,123 | \$ 855,624 |
| Receivables: | | | | | | | | | | | |
| Accounts receivable | 2,077 | 4,707 | - | - | - | 28,422 | 48,966 | - | - | - | - |
| Notes receivable | - | - | - | 10,978 | - | - | - | - | 345,718 | - | 970,186 |
| Due from other funds | - | - | - | - | - | - | - | - | 309,632 | - | - |
| Total assets | \$ 105,347 | \$ 12,616 | \$ 381,823 | \$ 915,461 | \$ - | \$ 28,422 | \$ 356,165 | \$ 39,173 | \$ 958,807 | \$ 238,123 | \$ 1,825,810 |
| Liabilities | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Accounts payable | \$ 1,259 | \$ 4,165 | \$ - | \$ - | \$ - | \$ 7,829 | \$ - | \$ 7,743 | \$ - | \$ - | \$ 4,258 |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | 20,593 | - | - | - | - | - |
| Total liabilities | 1,259 | 4,165 | - | - | - | 28,422 | - | 7,743 | - | - | 4,258 |
| Deferred inflows of resources | | | | | | | | | | | |
| Long-term notes receivable | - | - | - | 10,978 | - | - | - | - | 345,718 | - | 970,186 |
| Fund balances | | | | | | | | | | | |
| Restricted for: | | | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - | - | - |
| CCC facility | - | - | - | - | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - | 31,430 | 613,089 | - | 851,366 |
| Streets and storm drains | 104,088 | 8,451 | 381,823 | 904,483 | - | - | 356,165 | - | - | 238,123 | - |
| Debt service | - | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 104,088 | 8,451 | 381,823 | 904,483 | - | - | 356,165 | 31,430 | 613,089 | 238,123 | 851,366 |
| Total liabilities & fund balances | \$ 105,347 | \$ 12,616 | \$ 381,823 | \$ 915,461 | \$ - | \$ 28,422 | \$ 356,165 | \$ 39,173 | \$ 958,807 | \$ 238,123 | \$ 1,825,810 |

City of Fortuna
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

| | Special Revenue | | | | | | | | |
|--------------------------------------|----------------------|---|------------------|------------------|------------------|-------------------|-----------------------|-------------------|---------------------|
| | CDBG Unrestricted | HOPS, Rodeo, & McClean Small Parks | FEMA | Police Fund | STIP/TEA Fund | Abatement Fund | Capital Proj. Fund | Special Grants | Totals |
| Assets | | | | | | | | | |
| Cash and investments | \$ 229,400 | \$ 18,980 | \$ - | \$ 53,680 | \$ - | \$ - | \$ - | \$ - | \$ 3,443,121 |
| Receivables: | | | | | | | | | |
| Accounts receivable | - | - | 89,516 | - | 31,083 | - | - | 34,777 | 239,548 |
| Notes receivable | - | - | - | - | - | - | - | - | 1,326,882 |
| Due from other funds | - | - | - | - | - | - | - | - | 309,632 |
| Total assets | <u>\$ 229,400</u> | <u>\$ 18,980</u> | <u>\$ 89,516</u> | <u>\$ 53,680</u> | <u>\$ 31,083</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,777</u> | <u>\$ 5,319,183</u> |
| Liabilities | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ - | \$ 289 | \$ 11,790 | \$ - | \$ 12,745 | \$ - | \$ - | 6,414 | \$ 56,492 |
| Unearned revenue | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | 89,516 | - | 124,966 | 16,453 | - | 58,104 | 309,632 |
| Total liabilities | <u>-</u> | <u>289</u> | <u>101,306</u> | <u>-</u> | <u>137,711</u> | <u>16,453</u> | <u>-</u> | <u>64,518</u> | <u>366,124</u> |
| Deferred inflows of resources | | | | | | | | | |
| Long-term notes receivable | - | - | - | - | - | - | - | - | 1,326,882 |
| Fund balances | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - |
| Safety programs | - | - | - | 53,680 | - | - | - | - | 53,680 |
| Economic development | 229,400 | 18,691 | - | - | - | - | - | - | 1,743,976 |
| Streets and storm drains | - | - | - | - | - | - | - | - | 1,993,133 |
| Debt service | - | - | - | - | - | - | - | - | - |
| Unrestricted | - | - | (11,790) | - | (106,628) | (16,453) | - | (29,741) | (164,612) |
| Total fund balances | <u>229,400</u> | <u>18,691</u> | <u>(11,790)</u> | <u>53,680</u> | <u>(106,628)</u> | <u>(16,453)</u> | <u>-</u> | <u>(29,741)</u> | <u>3,626,177</u> |
| Total liabilities & fund balances | <u>\$ 229,400</u> | <u>\$ 18,980</u> | <u>\$ 89,516</u> | <u>\$ 53,680</u> | <u>\$ 31,083</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,777</u> | <u>\$ 5,319,183</u> |

City of Fortuna
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

| | Special Revenue | | | | | | | | | | |
|--|---------------------|-------------------------------|----------------------|-----------------------------------|-------------------------|------------------|-------------------|------------------------------|---|-------------------------|-------------------|
| | Integrated Waste | Storm Drain Maintenance | Drainage Facility | Trans- portation Fund SB325 | Engineering Fund 273 | Gas Tax 2105 | RMRA-SB1 | Business Improve- ment | Unrestricted Business Revolving Loan | RSTP HSIP & HCAOG | CDBG Business |
| Revenues | | | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 234,683 | \$ - | \$ 326,324 | \$ 279,438 | \$ - | \$ - | \$ 74,480 | \$ - |
| Property taxes | - | - | - | - | - | - | - | - | - | - | - |
| Charges for services | 23,770 | 46,361 | 47,796 | - | - | - | - | 91,858 | 27,477 | - | - |
| Special assessments | - | - | - | - | - | - | - | - | - | - | - |
| Interest | 1,188 | 414 | 7,272 | 14,490 | - | (1,556) | 3,065 | - | 11,928 | 6,466 | - |
| Miscellaneous | - | - | - | 18,280 | - | - | 1 | - | - | - | - |
| Total revenues | <u>24,958</u> | <u>46,775</u> | <u>55,068</u> | <u>267,453</u> | <u>-</u> | <u>324,768</u> | <u>282,504</u> | <u>91,858</u> | <u>39,405</u> | <u>80,946</u> | <u>-</u> |
| Expenditures | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Public works & streets | - | 77,046 | - | 39,899 | - | 457,407 | - | - | - | 151,957 | - |
| Economic development | - | - | - | - | - | - | - | 57,804 | - | - | 8,661 |
| Housing | - | - | - | - | - | - | - | - | - | - | - |
| Sanitation and recycling | 34,877 | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | | |
| Principal | - | - | - | - | - | 8,109 | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>34,877</u> | <u>77,046</u> | <u>-</u> | <u>39,899</u> | <u>-</u> | <u>465,516</u> | <u>-</u> | <u>57,804</u> | <u>-</u> | <u>151,957</u> | <u>8,661</u> |
| Excess (deficiency) of revenues over expenditures | <u>(9,919)</u> | <u>(30,271)</u> | <u>55,068</u> | <u>227,554</u> | <u>-</u> | <u>(140,748)</u> | <u>282,504</u> | <u>34,054</u> | <u>39,405</u> | <u>(71,011)</u> | <u>(8,661)</u> |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Transfers in | 45,000 | - | - | - | - | 140,748 | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>45,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>140,748</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 35,081 | (30,271) | 55,068 | 227,554 | - | - | 282,504 | 34,054 | 39,405 | (71,011) | (8,661) |
| Fund balances, July 1 | 69,007 | 38,722 | 326,755 | 676,929 | - | - | 73,661 | (2,624) | 573,684 | 309,134 | 860,027 |
| Fund balances, June 30 | <u>\$ 104,088</u> | <u>\$ 8,451</u> | <u>\$ 381,823</u> | <u>\$ 904,483</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 356,165</u> | <u>\$ 31,430</u> | <u>\$ 613,089</u> | <u>\$ 238,123</u> | <u>\$ 851,366</u> |

City of Fortuna
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2023

| | Special Revenue | | | | | | | | | |
|--|----------------------|---|-----------------------|------------------|---------------------|--------------------|-----------------------|--------------------|--------------------|---------------------|
| | CDBG Unrestricted | HOPS, Rodeo, & McClean Small Parks | FEMA | Police Fund | STIP/TEA Fund | Abatement Fund | Capital Proj. Fund | Parking In Lieu | Special Grants | Totals |
| Revenues | | | | | | | | | | |
| Intergovernmental | \$ - | \$ 25,000 | \$ 218,811 | \$ 60,670 | 132,319 | \$ - | \$ - | \$ - | \$ 45,703 | \$ 1,397,428 |
| Charges for services | - | - | - | - | - | - | - | - | - | 237,262 |
| Special assessments | - | - | - | - | - | - | - | - | - | - |
| Interest | 4,581 | - | - | - | - | - | - | - | - | 47,848 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 18,281 |
| Total revenues | <u>4,581</u> | <u>25,000</u> | <u>218,811</u> | <u>60,670</u> | <u>132,319</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,703</u> | <u>1,700,819</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public works & streets | - | - | 230,601 | - | 238,947 | - | - | - | 37,321 | 1,233,178 |
| Economic development | - | 10,550 | - | - | - | - | - | - | - | 77,015 |
| Public safety | - | - | - | 6,990 | - | - | - | - | - | 6,990 |
| Sanitation and recycling | - | - | - | - | - | - | - | - | - | 34,877 |
| Capital outlay | - | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | 8,109 |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>10,550</u> | <u>230,601</u> | <u>6,990</u> | <u>238,947</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,321</u> | <u>1,360,169</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,581</u> | <u>14,450</u> | <u>(11,790)</u> | <u>53,680</u> | <u>(106,628)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,382</u> | <u>340,650</u> |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | - | - | - | - | - | 5,000 | - | - | - | 190,748 |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>190,748</u> |
| Net change in fund balances | <u>4,581</u> | <u>14,450</u> | <u>(11,790)</u> | <u>53,680</u> | <u>(106,628)</u> | <u>5,000</u> | <u>-</u> | <u>-</u> | <u>8,382</u> | <u>531,398</u> |
| Fund balances, July 1 | <u>224,819</u> | <u>4,241</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(21,453)</u> | <u>-</u> | <u>-</u> | <u>(38,123)</u> | <u>3,094,779</u> |
| Fund balances, June 30 | <u>\$ 229,400</u> | <u>\$ 18,691</u> | <u>\$ (11,790.00)</u> | <u>\$ 53,680</u> | <u>\$ (106,628)</u> | <u>\$ (16,453)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (29,741)</u> | <u>\$ 3,626,177</u> |

City of Fortuna
INTEGRATED WASTE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--|------------------|-----------|------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services: | \$ 25,000 | \$ 25,000 | \$ 23,770 | \$ (1,230) |
| Intergovernmental | - | - | - | - |
| Interest | - | - | 1,188 | 1,188 |
| Miscellaneous | - | - | - | - |
| Total revenues | 25,000 | 25,000 | 24,958 | (42) |
| Expenditures | | | | |
| Sanitation and recycling | 66,792 | 68,720 | 34,877 | 33,843 |
| Total expenditures | 66,792 | 68,720 | 34,877 | 33,843 |
| Excess (deficiency) of revenues over expenditures | (41,792) | (43,720) | (9,919) | 33,801 |
| Other financing sources (uses) | | | | |
| Transfers in | 45,000 | 45,000 | 45,000 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 45,000 | 45,000 | 45,000 | - |
| Net change in fund balances | \$ 3,208 | \$ 1,280 | 35,081 | \$ 33,801 |
| Fund balance - beginning | | | 69,007 | |
| Fund balance - ending | | | \$ 104,088 | |

City of Fortuna
STORM DRAIN MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|--------------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>With Final Budget Over (Under)</u> |
| Revenues | | | | |
| Charges for services: | \$ 46,000 | \$ 46,000 | \$ 46,361 | \$ 361 |
| Interest | - | - | 414 | 581 |
| Total revenues | <u>46,000</u> | <u>46,000</u> | <u>46,775</u> | <u>942</u> |
| Expenditures | | | | |
| Public works and streets | <u>83,625</u> | <u>90,373</u> | <u>77,046</u> | <u>13,327</u> |
| Total expenditures | <u>83,625</u> | <u>90,373</u> | <u>77,046</u> | <u>13,327</u> |
| Excess (deficiency) of revenues over expenditures | <u>(37,625)</u> | <u>(44,373)</u> | <u>(30,271)</u> | <u>14,269</u> |
| Other financing sources (uses) | | | | |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (37,625)</u> | <u>\$ (44,373)</u> | <u>(30,271)</u> | <u>\$ 14,269</u> |
| Fund balance - beginning | | | <u>38,722</u> | |
| Fund balance - ending | | | <u>\$ 8,451</u> | |

City of Fortuna
DRAINAGE FACILITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-----------|------------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Charges for services: | \$ 24,000 | \$ 24,000 | \$ 47,796 | \$ 23,796 |
| Interest | - | - | 7,272 | 7,272 |
| Total revenues | 24,000 | 24,000 | 55,068 | 31,068 |
| Expenditures | | | | |
| Sanitation and recycling | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 24,000 | 24,000 | 55,068 | 31,068 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | - | - | - | - |
| Net change in fund balance | \$ 24,000 | \$ 24,000 | 55,068 | \$ 31,068 |
| Fund balance - beginning | | | 326,755 | |
| Fund balance - ending | | | \$ 381,823 | |

City of Fortuna
TRANSPORTATION SB325 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--|------------------|------------|------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 234,683 | \$ 234,683 | \$ 234,683 | \$ - |
| Interest | 4,000 | 4,000 | 14,490 | 10,490 |
| Miscellaneous | - | - | 18,280 | 18,280 |
| Total revenues | 238,683 | 238,683 | 267,453 | 28,770 |
| Expenditures | | | | |
| Public works & streets | 118,000 | 118,000 | 39,899 | 78,101 |
| Total expenditures | 118,000 | 118,000 | 39,899 | 78,101 |
| Excess (deficiency) of revenues over expenditures | 120,683 | 120,683 | 227,554 | 106,871 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | \$ 120,683 | \$ 120,683 | 227,554 | \$ 106,871 |
| Fund balance - beginning | | | 676,929 | |
| Fund balance - ending | | | \$ 904,483 | |

City of Fortuna
GAS TAX 2105 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-------------|-----------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Gas tax 2105 | \$ 76,945 | \$ 76,945 | \$ 71,275 | \$ (5,670) |
| Gas tax 2106 | 56,290 | 56,290 | 52,865 | (3,425) |
| Gas tax 2107 | 105,119 | 105,119 | 97,136 | (7,983) |
| Gas tax 2107.5 | 3,000 | 3,000 | 3,000 | - |
| Gas tax 2103 | 117,459 | 117,459 | 102,048 | (15,411) |
| Interest | - | - | (1,556) | (1,556) |
| Total revenues | 358,813 | 358,813 | 324,768 | (34,045) |
| Expenditures | | | | |
| Public works and streets | 425,333 | 482,366 | 465,516 | 16,850 |
| Total expenditures | 425,333 | 482,366 | 465,516 | 16,850 |
| Excess (deficiency) of revenues over expenditures | (66,520) | (123,553) | (140,748) | (17,195) |
| Other financing sources (uses) | | | | |
| Transfers in | 66,520 | 66,520 | 140,748 | 74,228 |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | 66,520 | 66,520 | 140,748 | 74,228 |
| Net change in fund balance | \$ - | \$ (57,033) | - | \$ 57,033 |
| Fund balance - beginning | | | - | |
| Fund balance - ending | | | \$ - | |

City of Fortuna
 RMRA-SB1 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------|------------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Intergovernmental | \$ 271,849 | \$ 271,849 | \$ 279,438 | \$ 7,589 |
| Interest | - | - | 3,065 | 3,065 |
| Miscellaneous | - | - | - | - |
| Total revenues | 271,849 | 271,849 | 282,503 | 10,654 |
| Expenditures | | | | |
| Public works & streets | 272,000 | 272,000 | - | 272,000 |
| Total expenditures | 272,000 | 272,000 | - | 272,000 |
| Excess (deficiency) of revenues over expenditures | (151) | (151) | 282,503 | 282,654 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | \$ (151) | \$ (151) | 282,503 | \$ 282,654 |
| Fund balance - beginning | | | 73,662 | |
| Fund balance - ending | | | \$ 356,165 | |

City of Fortuna
UNRESTRICTED BUSINESS REVOLVING LOAN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------|------------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Charges for service | \$ 24,000 | \$ 24,000 | \$ 27,477 | \$ 3,477 |
| Interest | - | - | 11,928 | 11,928 |
| Miscellaneous | - | - | - | - |
| Total revenues | 24,000 | 24,000 | 39,405 | 15,405 |
| Expenditures | | | | |
| Public works & streets | - | - | - | - |
| Economic development | 25,000 | 25,000 | - | 25,000 |
| Total expenditures | 25,000 | 25,000 | - | 25,000 |
| Excess (deficiency) of revenues over expenditures | \$ (1,000) | \$ (1,000) | 39,405 | \$ 40,405 |
| Fund balance - beginning | | | 573,684 | |
| Fund balance - ending | | | \$ 613,089 | |

City of Fortuna
CDBG BUSINESS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|---------------------|---------------------|-------------------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | <u>20,000</u> | <u>20,000</u> | - | <u>(20,000)</u> |
| Total revenues | <u>20,000</u> | <u>20,000</u> | - | <u>(20,000)</u> |
| Expenditures | | | | |
| Economic development | <u>865,000</u> | <u>865,000</u> | <u>8,661</u> | <u>856,339</u> |
| Total expenditures | <u>865,000</u> | <u>865,000</u> | <u>8,661</u> | <u>856,339</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (845,000)</u> | <u>\$ (845,000)</u> | (8,661) | <u>\$ 836,339</u> |
| Fund balance - beginning | | | <u>860,027</u> | |
| Fund balance - ending | | | <u>\$ 851,366</u> | |

City of Fortuna
CDBG UNRESTRICTED SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|--------------------|--------------------|-------------------|--------------------------------------|
| | Original | Final | | With Final Budget Over (Under) |
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ 4,581 | \$ 4,581 |
| Total revenues | <u>-</u> | <u>-</u> | <u>4,581</u> | <u>4,581</u> |
| Expenditures | | | | |
| Economic development | 15,000 | 15,000 | - | 15,000 |
| Total expenditures | <u>15,000</u> | <u>15,000</u> | <u>-</u> | <u>15,000</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (15,000)</u> | <u>\$ (15,000)</u> | 4,581 | <u>\$ 19,581</u> |
| Fund balance - beginning | | | <u>224,819</u> | |
| Fund balance - ending | | | <u>\$ 229,400</u> | |

City of Fortuna
SMALL PARKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--|------------------|----------|-----------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 5,000 | \$ 5,000 | \$ 25,000 | \$ 20,000 |
| Interest | - | - | - | - |
| Total revenues | 5,000 | 5,000 | 25,000 | 20,000 |
| Expenditures | | | | |
| Economic development | - | - | 10,550 | (10,550) |
| Total expenditures | - | - | 10,550 | (10,550) |
| Excess (deficiency) of revenues over expenditures | 5,000 | 5,000 | 14,450 | 9,450 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | \$ 5,000 | \$ 5,000 | 14,450 | \$ 9,450 |
| Fund balance - beginning | | | 4,241 | |
| Fund balance - ending | | | \$ 18,691 | |

STATISTICAL SECTION

Schedule 1
City of Fortuna
Net Position by Component
Ten Year Analysis
(Accrual basis of accounting)

Fiscal Years Ending June 30

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets under both governmental and business type activities and under primary government: | \$ 5,388,424 | \$ 6,750,054 | \$ 8,883,363 | \$ 11,846,993 | \$ 17,722,340 | \$ 17,997,022 | \$ 21,272,422 | \$ 22,938,620 | \$ 22,324,159 | \$ 22,815,196 |
| Restricted | | | | | | | | | | |
| Debt Service | 1,029,691 | 1,141,186 | 1,252,512 | 1,363,828 | - | - | - | - | - | - |
| Capital projects | 862,930 | 3,341,024 | 3,211,141 | 2,535,596 | 89 | - | - | - | - | - |
| Safety Programs | - | - | - | - | - | - | - | - | - | 53,680 |
| Affordable Housing | 12,569,397 | 12,867,208 | 11,745,661 | 11,870,221 | - | - | 351,981 | 420,783 | 435,819 | 559,900 |
| Streets | 4,448,946 | 3,728,767 | 2,090,484 | 1,913,382 | 1,734,818 | 1,967,334 | 1,672,003 | 1,486,961 | 1,494,209 | 1,993,133 |
| Economic development | 1,075,228 | 1,240,613 | 2,648,818 | 2,782,407 | - | - | 1,409,696 | 1,649,497 | 1,662,770 | 1,743,976 |
| Other purposes | 168,719 | 229,962 | 10,774 | 10,558 | - | - | - | - | - | - |
| Unrestricted | 4,841,653 | 1,759,412 | 2,991,176 | 2,957,739 | 18,854,650 | 20,316,152 | 18,125,213 | 20,164,380 | 22,900,113 | 24,737,533 |
| Total governmental activities net position: | \$ 30,384,988 | \$ 31,058,226 | \$ 32,833,929 | \$ 35,280,724 | \$ 38,311,897 | \$ 40,280,508 | \$ 42,831,315 | \$ 46,660,241 | \$ 48,817,070 | \$ 51,903,418 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 20,151,917 | 18,490,177 | 18,127,850 | 18,784,436 | 22,091,082 | 22,315,106 | 22,073,693 | \$ 22,436,735 | \$ 23,162,546 | \$ 23,573,474 |
| Restricted | | | | | | | | | | |
| Debt Service | 1,730,269 | 1,721,570 | 1,724,364 | 1,723,124 | - | - | - | - | - | - |
| Capital Projects | 1,052,316 | 525,940 | - | - | - | - | - | - | - | - |
| Unrestricted | 14,826,409 | 16,665,027 | 18,282,153 | 18,962,159 | 18,007,098 | 18,512,484 | 19,360,266 | 19,296,574 | 18,994,292 | 19,422,333 |
| Total business-type activities: | \$ 37,760,911 | \$ 37,402,714 | \$ 38,134,367 | \$ 39,469,719 | \$ 40,098,180 | \$ 40,827,590 | \$ 41,433,959 | \$ 41,733,309 | \$ 42,156,838 | \$ 42,995,807 |
| Primary Government - City-Wide Totals | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 25,540,341 | \$ 25,240,231 | \$ 27,011,213 | \$ 30,631,429 | \$ 39,813,422 | \$ 40,312,128 | \$ 43,346,115 | \$ 45,375,355 | \$ 45,486,705 | \$ 46,388,670 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Debt Service | 2,759,960 | 2,862,756 | 2,976,876 | 3,086,952 | - | - | - | - | - | - |
| Capital Projects | 1,915,246 | 3,866,964 | 3,211,141 | 2,535,596 | 89 | - | - | - | - | - |
| Safety Programs | - | - | - | - | - | - | - | - | - | 53,680 |
| Affordable Housing | 12,569,397 | 12,867,208 | 11,745,661 | 11,870,221 | - | - | 351,981 | 420,783 | 435,819 | 559,900 |
| Economic Development | 1,075,228 | 1,240,613 | 2,648,818 | 2,782,407 | - | - | 1,409,696 | 1,649,497 | 1,662,770 | 1,743,976 |
| Streets | 4,448,946 | 3,728,767 | 2,090,484 | 1,913,382 | 1,734,818 | 1,967,334 | 1,672,003 | 1,486,961 | 1,494,209 | 1,993,133 |
| Other purposes | 168,719 | 229,962 | 10,774 | 10,558 | - | - | - | - | - | - |
| Unrestricted | 19,668,062 | 18,424,439 | 21,273,329 | 21,919,898 | 36,861,748 | 38,828,636 | 37,485,479 | 39,460,954 | 41,894,405 | 44,159,866 |
| Total primary government net position: | \$ 68,145,899 | \$ 68,460,940 | \$ 70,968,296 | \$ 74,750,443 | \$ 78,410,077 | \$ 81,108,098 | \$ 84,265,274 | \$ 88,393,550 | \$ 90,973,908 | \$ 94,899,225 |

Notes and Data Sources:
Statement of Net Position

**Schedule 2
City of Fortuna
Changes in Net Position
(Accrual Basis of Accounting)**

Fiscal Years Ending June 30

| Expenses: | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,029,182 | \$ 1,685,735 | \$ 1,056,456 | \$ 1,171,423 | \$ 948,148 | \$ 1,023,535 | \$ 1,551,022 | \$ 1,622,797 | \$ 2,411,874 | \$ 2,365,729 |
| Public safety | 3,249,432 | 3,152,904 | 3,071,641 | 3,613,537 | 4,054,483 | 4,673,569 | 4,901,665 | 4,171,065 | 4,082,365 | 3,840,329 |
| Streets | 605,649 | 843,015 | 664,188 | 2,117,875 | 3,677,131 | 1,369,760 | 2,594,420 | 4,071,600 | 2,767,529 | 2,832,697 |
| Parks and recreation | 1,102,183 | 1,187,394 | 1,221,248 | 1,247,103 | 966,252 | 1,291,958 | 1,201,330 | 1,027,191 | 1,697,162 | 1,700,784 |
| Sanitation | 20,403 | 38,710 | 43,095 | 25,147 | 606,909 | 577,716 | 204,152 | 414,414 | 63,515 | 84,005 |
| Redevelopment and housing | 161,368 | 95,573 | 94,393 | 75,724 | 310,856 | - | - | - | - | - |
| Interest on long-term debt | 139,148 | 130,067 | 73,164 | 111,894 | 76,131 | 976 | - | - | - | - |
| Total governmental activities expenses | 6,307,365 | 7,133,398 | 6,224,185 | 8,362,703 | 10,639,910 | 8,937,514 | 10,452,589 | 11,307,067 | 11,022,445 | 10,823,544 |
| Business-type activities: | | | | | | | | | | |
| Water | 1,840,193 | 1,896,253 | 2,206,878 | 2,213,797 | 2,754,457 | 3,265,841 | 2,820,380 | 2,963,179 | 3,418,851 | 3,472,676 |
| Wastewater | 2,958,764 | 3,082,638 | 3,331,929 | 3,391,969 | 3,980,231 | 4,099,072 | 4,213,456 | 4,691,028 | 4,256,162 | 4,347,518 |
| Transit | 250,901 | 268,291 | 344,951 | 306,147 | 318,957 | 332,764 | 352,824 | 369,082 | 385,274 | 437,571 |
| Total business-type activities expenses | 5,049,858 | 5,247,182 | 5,883,758 | 5,911,913 | 7,053,645 | 7,697,677 | 7,386,660 | 8,023,289 | 8,060,287 | 8,257,765 |
| Total City government expenses | \$ 11,357,223 | \$ 12,380,580 | \$ 12,107,943 | \$ 14,274,616 | \$ 17,693,555 | \$ 16,635,191 | \$ 17,839,249 | \$ 19,330,356 | \$ 19,082,732 | \$ 19,081,309 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 382,856 | \$ 339,963 | \$ 371,856 | \$ 360,154 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | 522,289 | 542,634 | 504,948 | 575,304 | 44,667 | 75,145 | 44,610 | 30,773 | 30,896 | 33,658 |
| Streets | 108,685 | 115,493 | 83,551 | 75,645 | 796,693 | 760,656 | 742,421 | 777,428 | 951,453 | 912,502 |
| Parks and recreation | 510,088 | 551,930 | 458,292 | 421,856 | 814,528 | 865,276 | 697,775 | 1,036,462 | 872,212 | 1,195,070 |
| Sanitation | 27,464 | 35,865 | 53,873 | 23,039 | - | - | - | - | - | - |
| Redevelopment and housing | 452,314 | 472,132 | 434,634 | 442,268 | - | - | - | - | - | - |
| Operating grants and contributions | 612,583 | 854,800 | 650,242 | 758,046 | - | - | - | - | - | - |
| Capital grants and contributions | 655,015 | 3,457,829 | 996,076 | 3,574,696 | 4,956,839 | 2,237,448 | 4,407,521 | 5,007,997 | 2,351,031 | 2,567,738 |
| Total governmental activities program revenues: | 3,271,294 | 6,370,646 | 3,553,472 | 6,231,008 | 6,612,727 | 3,938,525 | 5,892,327 | 6,852,660 | 4,205,592 | 4,708,968 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 2,430,314 | 2,301,442 | 2,402,085 | 2,319,601 | 2,621,238 | 2,394,356 | 2,398,729 | 2,504,339 | 2,469,628 | 2,537,279 |
| Wastewater | 3,577,263 | 3,572,915 | 3,536,519 | 3,513,379 | 4,023,978 | 3,646,004 | 3,512,378 | 3,717,201 | 3,788,723 | 3,661,972 |
| Transit | 12,427 | 11,782 | 14,796 | 26,279 | 17,390 | 21,169 | 16,815 | 17,674 | 15,377 | 17,127 |
| Operating grants and contributions | 232,199 | 249,663 | 279,140 | 290,697 | 880,162 | 1,796,450 | 1,395,602 | 2,018,214 | 2,485,727 | 2,418,049 |
| Capital grants and contributions | 197,255 | 297,282 | 393,468 | 987,984 | - | - | - | - | - | - |
| Total business-type activities programs revenues | 6,449,458 | 6,433,084 | 6,626,008 | 7,137,940 | 7,542,768 | 7,857,979 | 7,323,524 | 8,257,428 | 8,759,455 | 8,634,427 |
| Total City government program revenues | \$ 9,720,752 | \$ 12,803,730 | \$ 10,179,480 | \$ 13,368,948 | \$ 14,155,495 | \$ 11,796,504 | \$ 13,215,851 | \$ 15,110,088 | \$ 12,965,047 | \$ 13,343,395 |

**Schedule 2
City of Fortuna
Changes in Net Position
(Accrual Basis of Accounting)**

Fiscal Years Ending June 30

Net(Expense)Revenue:

| | | | | | | | | | | |
|------------------------------|-----------------------|-------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | \$ (3,036,071) | \$ (762,752) | \$ (2,670,713) | \$ (2,131,695) | \$ (4,027,183) | \$ (4,998,989) | \$ (4,560,262) | \$ (4,454,407) | \$ (6,816,853) | \$ (6,114,576) |
| Business-type activities | 1,399,600 | 1,185,902 | 742,250 | 1,226,027 | 489,123 | 160,302 | (63,136) | 234,139 | 699,168 | 376,662 |
| Total City government | \$ (1,636,471) | \$ 423,150 | \$ (1,928,463) | \$ (905,668) | \$ (3,538,060) | \$ (4,838,687) | \$ (4,623,398) | \$ (4,220,268) | \$ (6,117,685) | \$ (5,737,914) |

**General Revenues and Other Changes in
in Net Position:**

Governmental activities:

Taxes:

| | | | | | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Property taxes | \$ 437,180 | \$ 486,032 | \$ 423,766 | \$ 419,613 | \$ 536,843 | \$ 485,385 | \$ 527,434 | \$ 611,929 | \$ 610,620 | \$ 694,633 |
| Sales taxes | 1,479,645 | 1,585,939 | 1,834,956 | 2,271,213 | 3,369,282 | 3,397,522 | 3,504,126 | 4,295,714 | 4,339,191 | 3,973,992 |
| Transient occupancy taxes | 524,542 | 537,055 | 610,627 | 683,432 | 695,921 | 612,993 | 549,218 | 755,125 | 951,039 | 782,808 |
| Other taxes | 382,136 | 391,784 | 417,310 | 443,133 | 136,328 | 24,193 | 36,371 | 28,551 | 45,512 | 35,526 |
| Property Tax in lieu VLF | 1,001,193 | 1,026,709 | 1,050,708 | 1,062,434 | 1,111,193 | 1,166,134 | 1,251,984 | 1,305,039 | 1,354,606 | 1,443,652 |
| Unrestricted investment earnings | 21,344 | 38,713 | 98,452 | 8,917 | 77,605 | 323,693 | 311,147 | 230,087 | (75,427) | 547,915 |
| Other general revenues | 118,791 | 2,491,735 | - | - | 1,108,711 | 961,512 | 936,480 | 1,061,319 | 1,753,685 | 1,731,333 |
| Transfers | 1,254 | 10,723 | 10,597 | 10,559 | 22,478 | (3,832) | (5,691) | (4,431) | (5,536) | (8,932) |

| | | | | | | | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total governmental activities | 3,966,085 | 6,568,690 | 4,446,416 | 4,899,301 | 7,058,361 | 6,967,600 | 7,111,069 | 8,283,333 | 8,973,690 | 9,200,927 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

Business-type activities

| | | | | | | | | | | |
|----------------------------------|---------|----------|----------|----------|----------|---------|---------|--------|-----------|---------|
| Unrestricted investment earnings | - | - | - | - | 161,816 | 565,280 | 663,814 | 60,780 | (281,252) | 453,375 |
| Transfers | (1,254) | (10,723) | (10,597) | (10,559) | (22,478) | 3,832 | 5,691 | 4,431 | 5,536 | 8,932 |

| | | | | | | | | | | |
|---------------------------------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|---------------|------------------|----------------|
| Total business-type activities | (1,254) | (10,723) | (10,597) | (10,559) | 139,338 | 569,112 | 669,505 | 65,211 | (275,716) | 462,307 |
|---------------------------------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|---------------|------------------|----------------|

| | | | | | | | | | | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total City government | \$ 3,964,831 | \$ 6,557,967 | \$ 4,435,819 | \$ 4,888,742 | \$ 7,197,699 | \$ 7,536,712 | \$ 7,780,574 | \$ 8,348,544 | \$ 8,697,974 | \$ 9,663,234 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|

Change in net position:

| | | | | | | | | | | |
|--------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Governmental activities | \$ 930,014 | \$ 5,805,938 | \$ 1,775,703 | \$ 2,767,606 | \$ 3,031,178 | \$ 1,968,611 | \$ 2,550,807 | \$ 3,828,926 | \$ 2,156,837 | \$ 3,086,351 |
| Business-type activities | 1,398,346 | 1,175,179 | 731,653 | 1,215,468 | 628,461 | 729,414 | 606,369 | 299,350 | 423,452 | 838,969 |

| | | | | | | | | | | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total City government | \$ 2,328,360 | \$ 6,981,117 | \$ 2,507,356 | \$ 3,983,074 | \$ 3,659,639 | \$ 2,698,025 | \$ 3,157,176 | \$ 4,128,276 | \$ 2,580,289 | \$ 3,925,320 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|

Notes and Data Sources:

Statement of Activities

**Schedule 3
City of Fortuna
Fund Balances - Governmental Funds
Ten Year Analysis**

| | Fiscal Years Ending June 30 | | | | | | | | | |
|-------------------------------------|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| General Fund | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Nonspendable | 26,137 | 27,206 | 24,392 | 26,445 | 19,319 | 2,003 | 2,291 | 3,968 | 3,717 | 3,011 |
| Restricted | 749,742 | 860,840 | - | - | - | - | - | - | - | - |
| Unassigned | 4,481,081 | 3,845,878 | 4,855,162 | 5,233,809 | 7,096,062 | 8,313,297 | 8,500,709 | 10,581,685 | 12,513,157 | 13,133,338 |
| Total General Fund | <u>\$ 5,256,960</u> | <u>\$ 4,733,924</u> | <u>\$ 4,879,554</u> | <u>\$ 5,260,254</u> | <u>\$ 7,115,381</u> | <u>\$ 8,315,300</u> | <u>\$ 8,503,000</u> | <u>\$ 10,585,653</u> | <u>\$ 12,516,874</u> | <u>\$ 13,136,349</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - |
| Restricted | 6,545,685 | 8,986,994 | 8,089,918 | 7,295,951 | 3,369,065 | 3,757,244 | 3,122,511 | 3,557,241 | 3,592,798 | 4,350,689 |
| Unassigned | - | - | - | - | - | - | - | (210,811) | (62,201) | (164,612) |
| Total All Other Governmental Funds | <u>\$ 6,545,685</u> | <u>\$ 8,986,994</u> | <u>\$ 8,089,918</u> | <u>\$ 7,295,951</u> | <u>\$ 3,369,065</u> | <u>\$ 3,757,244</u> | <u>\$ 3,122,511</u> | <u>\$ 3,346,430</u> | <u>\$ 3,530,597</u> | <u>\$ 4,186,077</u> |
| Total All Governmental Funds | <u>\$ 11,802,645</u> | <u>\$ 13,720,918</u> | <u>\$ 12,969,472</u> | <u>\$ 12,556,205</u> | <u>\$ 10,484,446</u> | <u>\$ 12,072,544</u> | <u>\$ 11,625,511</u> | <u>\$ 13,932,083</u> | <u>\$ 16,047,471</u> | <u>\$ 17,322,426</u> |

Notes and Data Sources:

Balance Sheet

Schedule 4
City of Fortuna
Changes in Fund Balances - Governmental Funds
Ten Year Analysis
(Thousands of Dollars)
(Modified accrual basis of accounting)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 2,823 | \$ 3,001 | \$ 3,287 | \$ 3,812 | \$ 5,790 | \$ 5,686 | \$ 5,868 | \$ 6,997 | \$ 7,301 | \$ 6,930 |
| Licenses and permits | 220 | 284 | 309 | 364 | 797 | 761 | 742 | 777 | 951 | 913 |
| Fines and forfeits | 72 | 76 | 57 | 47 | 44 | 75 | 45 | 31 | 31 | 34 |
| Charges for services | 1,159 | 1,204 | 993 | 967 | 815 | 865 | 698 | 1,036 | 872 | 1,195 |
| Special assessments | 53 | 56 | 55 | 253 | 60 | - | - | - | - | - |
| Intergovernmental | 2,211 | 2,302 | 2,654 | 5,029 | 4,957 | 2,237 | 4,408 | 5,008 | 2,351 | 2,568 |
| Investment earnings | 43 | 79 | 125 | 32 | 78 | 324 | 311 | 230 | (75) | 548 |
| Other revenues | 589 | 578 | 541 | 584 | 1,104 | 962 | 937 | 1,061 | 1,754 | 1,731 |
| Total revenues: | 7,170 | 7,580 | 8,021 | 11,088 | 13,645 | 10,910 | 13,009 | 15,140 | 13,185 | 13,919 |
| Expenditures: | | | | | | | | | | |
| General government | 996 | 1,607 | 1,146 | 1,045 | 719 | 1,023 | 1,551 | 1,623 | 2,411 | 2,366 |
| Public safety | 3,188 | 3,128 | 3,541 | 3,403 | 3,575 | 4,796 | 4,640 | 4,120 | 4,755 | 5,161 |
| Parks and recreation | 992 | 1,028 | 1,023 | 1,103 | 966 | 1,292 | 1,201 | 1,027 | 1,697 | 1,701 |
| Highways and streets | 526 | 626 | 578 | 741 | 2,423 | 1,575 | 5,817 | 5,722 | 2,121 | 3,315 |
| Health and welfare | 14 | 39 | 43 | 25 | 607 | 578 | 204 | 414 | 64 | 84 |
| Economic development and redevelopment | 92 | 114 | 101 | 74 | 311 | - | - | - | - | - |
| Capital outlay | 910 | 1,618 | 2,281 | 4,333 | 4,749 | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 220 | 240 | 316 | 323 | 2,313 | 53 | 37 | - | 16 | 8 |
| Interest | 143 | 134 | 125 | 116 | 76 | 1 | - | - | - | - |
| Total expenditures: | 7,081 | 8,534 | 9,154 | 11,163 | 15,739 | 9,318 | 13,450 | 12,906 | 11,064 | 12,635 |
| Excess of revenues over(under) expenditures | 89 | (954) | (1,133) | (75) | (2,094) | 1,592 | (441) | 2,234 | 2,121 | 1,284 |
| Other Financing Sources(Uses) | | | | | | | | | | |
| Capital Lease Financing | - | - | 370 | - | - | - | - | - | - | - |
| Contribution from Success | - | 2,900 | - | - | - | - | - | - | - | - |
| Transfers in | 460 | 379 | 436 | 1,512 | 1,545 | 279 | 563 | 482 | 546 | 655 |
| Transfers out | (459) | (368) | (425) | (1,501) | (1,523) | (283) | (569) | (486) | (551) | (664) |
| Total other financing sources(uses) | 1 | 2,911 | 381 | 11 | 22 | (4) | (6) | (4) | (5) | (9) |
| Net change in fund balances | \$ 90 | \$ 1,957 | \$ (752) | \$ (64) | \$ (2,072) | \$ 1,588 | \$ (447) | \$ 2,230 | \$ 2,116 | \$ 1,275 |
| Debt service as a percentage of noncapital expenditures | 5.88% | 5.41% | 6.42% | 6.43% | 21.74% | 0.58% | 0.28% | 0.00% | 0.14% | 0.06% |

Notes and Data Sources:

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Schedule 5
City of Fortuna
Assessed Value and Estimated Actual Value of Taxable Property
Ten Year Analysis
(In thousands of dollars)

| Fiscal Year | Assessed Taxable Values | | | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|----------------|-------------------------|-----------|-----------|--------------------------|--------------------------------------|--|
| | Secured | Unsecured | Totals | | | |
| 2014 | 847,801 | 35,502 | 883,303 | 1.00% | 2,170,220 | 40.70% |
| 2015 | 868,453 | 37,565 | 906,018 | 1.00% | 2,224,797 | 40.72% |
| 2016 | 887,691 | 39,721 | 927,412 | 1.00% | 2,275,972 | 40.75% |
| 2017 | 917,470 | 42,235 | 959,705 | 1.00% | 2,354,011 | 40.77% |
| 2018 | 942,807 | 42,444 | 985,251 | 1.00% | 2,417,652 | 40.75% |
| 2019 | 985,818 | 43,128 | 1,028,946 | 1.00% | 2,526,156 | 40.73% |
| 2020 | 1,047,984 | 53,733 | 1,101,717 | 1.00% | 2,696,721 | 40.85% |
| 2021 | 1,093,129 | 56,232 | 1,149,361 | 1.00% | 2,813,154 | 40.86% |
| 2022 | 1,128,128 | 60,854 | 1,188,982 | 1.00% | 2,907,254 | 40.90% |
| 2023 | 1,204,033 | 64,747 | 1,268,780 | 1.00% | 3,102,578 | 40.89% |

Notes and Data Sources:

HdL, Coren & Cone, Humboldt County Assessor Combined Tax Rolls.

Schedule 6
City of Fortuna
Direct and Overlapping Property Tax Rates
Ten Year Analysis
(Rates per \$100 of assessed value)

10-Year Detail of Taxpayer Rates for General Fund Tax Rate Area 005-0000 (direct rate agencies in bold)

| <u>Agency</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City of Fortuna Tax And Fine Trust | | | | | | | | | | |
| County of Humboldt General Tax District | 0.1628 | 0.1628 | 0.1552 | 0.1627 | 0.1626 | 0.1626 | 0.1553 | 0.1532 | 0.1671 | 0.1545 |
| County Library | 0.0302 | 0.0302 | 0.0302 | 0.0302 | 0.0302 | 0.0302 | 0.0302 | 0.0299 | 0.0326 | 0.0302 |
| County School Service | 0.0147 | 0.0147 | 0.0147 | 0.0147 | 0.0147 | 0.0147 | 0.0147 | 0.0146 | 0.0159 | 0.0147 |
| ERAF Share of County General Tax District | 0.1585 | 0.1585 | 0.1660 | 0.1585 | 0.1586 | 0.1586 | 0.1659 | 0.1643 | 0.1793 | 0.1667 |
| ERAF Share of Fortuna General Fund | 0.0265 | 0.0265 | 0.0283 | 0.0266 | 0.0270 | 0.0270 | 0.0286 | 0.0284 | 0.0305 | 0.0285 |
| Fortuna Cemetery District | 0.0041 | 0.0041 | 0.0041 | 0.0041 | 0.0041 | 0.0041 | 0.0041 | 0.0041 | 0.0044 | 0.0041 |
| Fortuna Fire Protection | 0.0417 | 0.0417 | 0.0417 | 0.0417 | 0.0417 | 0.0417 | 0.0417 | 0.0412 | 0.0450 | 0.0417 |
| Fortuna Union High School District | 0.2134 | 0.2134 | 0.2134 | 0.2134 | 0.2134 | 0.2134 | 0.2134 | 0.2114 | 0.2306 | 0.2134 |
| Fortuna School District | 0.2196 | 0.2196 | 0.2196 | 0.2196 | 0.2196 | 0.2196 | 0.2196 | 0.2297 | 0.1598 | 0.2196 |
| Fortuna General Fund | 0.0467 | 0.0467 | 0.0450 | 0.0466 | 0.0463 | 0.0463 | 0.0447 | 0.0442 | 0.0487 | 0.0448 |
| Humboldt Bay Harbor Recreation | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0092 | 0.0101 | 0.0093 |
| Humboldt Flood Zone 1-1 | 0.0056 | 0.0056 | 0.0056 | 0.0056 | 0.0056 | 0.0056 | 0.0056 | 0.0035 | 0.0039 | 0.0056 |
| Redwood Junior College District | 0.0649 | 0.0649 | 0.0649 | 0.0649 | 0.0649 | 0.0649 | 0.0649 | 0.0643 | 0.0700 | 0.0649 |
| Rohner Community Park & Recreation Dist. | 0.0020 | 0.0020 | 0.0020 | 0.0020 | 0.0020 | 0.0020 | 0.0020 | 0.0020 | 0.0021 | 0.0020 |
| Total Prop. 13 Rate | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| CR 2005 Go Bond | 0.0110 | 0.0130 | 0.0100 | 0.0080 | 0.0080 | 0.0080 | 0.0080 | 0.0050 | 0.0030 | 0.0050 |
| Fortuna High Go Bonds 2000 | 0.0080 | 0.0080 | 0.0200 | 0.0170 | 0.0170 | 0.0160 | 0.0170 | 0.0150 | 0.0130 | 0.0130 |
| Fortuna Elementary | 0.0310 | 0.0310 | 0.0290 | 0.0330 | 0.0390 | 0.0720 | 0.0640 | 0.0680 | 0.0620 | 0.0550 |
| Total Voter Approved Rate | 0.0500 | 0.0520 | 0.0590 | 0.0580 | 0.0640 | 0.0960 | 0.0890 | 0.0880 | 0.0780 | 0.0730 |
| Total Tax Rate | 1.0500 | 1.0520 | 1.0590 | 1.0580 | 1.0640 | 1.0960 | 1.0890 | 1.0880 | 1.0780 | 1.0730 |

Notes and Data Sources:

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are assessed for voter approved bonds.

Source: HDL Coren & Cone, and Humboldt County Assessor Tax Rate Tables

Schedule 7
City of Fortuna
Principal Property Tax Payers - Top Ten Payers
Ranked In Order of Gross Assessed Values
Ten Year Analysis
(Dollar Amounts in Thousands)

2013-14

| Taxpayer | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
|--|------------------------------|------|---|
| HCP SH ELP 3 Properties LLC | \$ 8,615 | 1 | 0.98% |
| Gagliardi Bros | 6,871 | 2 | 0.78% |
| Peterson Tractor Company | 6,456 | 3 | 0.73% |
| Redwood Memorial Hospital | 5,820 | 4 | 0.66% |
| Giffra Ranch LLC | 5,813 | 5 | 0.66% |
| Safeway Inc. | 4,674 | 6 | 0.53% |
| Marchetti Family LP | 4,359 | 7 | 0.49% |
| Wendt Construction Company Inc. | 4,145 | 8 | 0.47% |
| Realty Income Corporation | 3,926 | 9 | 0.44% |
| Leonardo Logging and Construction Inc. | 3,802 | 10 | 0.43% |
| Total | \$ 54,481 | | 6.17% |

2022-23

| Taxpayer | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
|--|------------------------------|------|---|
| Bear River Band of Rohnerville Rancheria | \$ 13,519 | 1 | 1.07% |
| Mercer Fraser Company | 9,154 | 2 | 0.72% |
| Eretz Fortuna Properties LP | 8,509 | 3 | 0.67% |
| Bank of America NA & Donna Minardi | 7,979 | 4 | 0.63% |
| Sarti Enterprises Delaware LLC | 7,573 | 5 | 0.60% |
| White Circle Commerce LLC | 7,028 | 6 | 0.55% |
| Wendt Construction Company Inc. | 5,857 | 7 | 0.46% |
| Carlos and Antonia Luna Trust | 5,334 | 8 | 0.42% |
| Travis L Schneider and Stephanie M Bode | 5,292 | 9 | 0.42% |
| Realty Income Corporation | 4,555 | 10 | 0.36% |
| Total | \$ 74,800 | | 5.90% |

Notes and Data Sources:

HdL, Coren & Cone

**Schedule 8
City of Fortuna
Property Tax Levies and Collections
Ten Year Analysis**

| <u>Fiscal Year Ended June 30</u> | <u>Taxes Levied</u> | <u>Collected Within The Fiscal Year of The Levy</u> | |
|--|---------------------|---|-----------------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2014 | 412,502 | 437,180 | 106% |
| 2015 | 486,032 | 486,032 | 100% |
| 2016 | 423,766 | 423,766 | 100% |
| 2017 | 419,613 | 419,613 | 100% |
| 2018 | 487,024 | 487,024 | 100% |
| 2019 | 444,411 | 444,411 | 100% |
| 2020 | 491,394 | 491,394 | 100% |
| 2021 | 546,042 | 546,042 | 100% |
| 2022 | 552,367 | 552,367 | 100% |
| 2023 | 647,718 | 647,718 | 100% |

Notes and Data Sources:

City of Fortuna Tax Collection records and County of Humboldt Assessor's Office

**Schedule 8-A
City of Fortuna
Sales Tax Revenue Base Data
Ten Year Review**

| Fiscal Year | City-Wide Retail Sales Subject to Tax | Total Retail Sales Tax Rate | City Direct Tax Rate | Revenue Recognized By the City |
|----------------|---|--------------------------------------|----------------------------|--------------------------------------|
| 2014 | 152,695,000 | 7.50% | 1.00% | 1,479,645 |
| 2015 | 158,593,900 | 7.50% | 1.00% | 1,585,939 |
| 2016 | 183,495,600 | 8.00% | 1.00% | 1,834,956 |
| 2017 (1) | 129,783,600 | 8.50% | 1.75% | 2,271,213 |
| 2018 | 192,530,400 | 8.50% | 1.75% | 3,369,282 |
| 2019 | 194,144,114 | 8.50% | 1.75% | 3,397,522 |
| 2020 | 200,235,771 | 8.50% | 1.75% | 3,504,126 |
| 2021 | 245,469,371 | 8.50% | 1.75% | 4,295,714 |
| 2022 | 247,953,771 | 8.50% | 1.75% | 4,339,191 |
| 2023 | 227,085,257 | 8.50% | 1.75% | 3,973,992 |

Notes and Data Sources:

The City's direct retail sales tax rate is established by the State of California.

Any increase in the City's direct tax rate requires voter approval by City residents.

(1) In November, 2016 City voters approved Measure E, creating a new general use sales tax of 3/4%. This tax was implemented on April 1, 2017 and is effective for 16 years.

**Schedule 8-B
City of Fortuna
Top 25 Sales Tax Producers
Comparison with
(In Alphabetical Order)**

| 2013 | | 2022 | |
|--------------------------------|------------------------------|--------------------------|------------------------------|
| Business Name | Business Category | Business Name | Business Category |
| Ace Hardware & Garden | Building Materials | Ace Hardware & Garden | Lumber/Building Materials |
| Beverage Plus Foods | Convenience Stores/Liquor | Beverage Plus Foods | Convenience Stores/Liquor |
| Burger King | Quick-Service Restaurants | Cigarette Payless | Cigarette/Cigar Stores |
| Daves 76 | Service Stations | Eel River Brewing | Casual Dining |
| Dollar Tree | Variety Stores | Forbusco Lumber | Lumber/Building Materials |
| Eel River Brewing | Casual Dining | Fortuna Chevron | Service Stations |
| Eel River Hydroponics | Garden/Agricultural Supplies | Fortuna Gas 4 Less | Service Stations |
| Forbusco Lumber | Lumber/Building Materials | Grocery Outlet | Grocery Stores |
| Fortuna Chevron | Service Stations | Hummel Tire & Wheel | Automotive Supply Stores |
| Fortuna Ford Motors | Used Auto Dealers | Les Schwab Tire Center | Automotive Supply Stores |
| Fortuna Gas 4 Less | Service Stations | McDonalds | Quick-Service Restaurants |
| Gary Crivellos Cars | Used Auto Dealers | Mercer Fraser | Contractors |
| Hummel Tire & Wheel | Automotive Supply Stores | O'Reilly Auto Parts | Automotive Supply Stores |
| L & M Renner | Petroleum Prod/Equip | Peterson Tractor | Farm/Construction Equip |
| Les Schwab Tire Centers | Automotive Supply Stores | Ray's Quality Cars | Used Automotive Dealer |
| McDonalds | Restaurants No Alcohol | Rite Aid | Drug Stores |
| Northcoast Horticulture Supply | Garden/Agricultural Supplies | Safeway | Grocery Stores Liquor |
| O'Reilly Auto Parts | Automotive Supply Stores | Sequoia Gas | Service Stations |
| Peterson Tractor | Farm/Construction Equip | Sunbelt Rentals | Repair Shop/Equip. Rentals |
| Rays Food Place | Grocery Stores Liquor | Tractor Supply | Garden/Agricultural Supplies |
| Rite Aid | Drug Stores | United Petrol | Service Stations |
| Rohnerville 76 | Service Stations | Valley Pacific Petroleum | Petroleum Products |
| Safeway | Grocery Stores Liquor | Village Sport & Cycle | Sporting Goods/Bike Stores |
| Village Sport & Cycle | Sporting Goods/Bike Stores | Walgreens | Drug Stores |
| Walgreens | Drug Stores | Wyckoff Plumbing | Plumbing/Electrical Services |

Percent of Calendar Year Total
Paid By Top 25 Accounts 68.97%

Percent of Calendar Year Total
Paid By Top 25 Accounts 65.22%

Period: January 2013 Thru December 2013

Period: January 2022 Thru December 2022

Notes and Data Sources:

HdL, Coren & Cone, California State Board of Equalization

**Schedule 8-C
City of Fortuna
Transient Occupancy Tax Revenue Base Data
Ten Year Review**

| <u>Fiscal Year</u> | <u>Revenue Base Room Revenues Subject to Tax</u> | <u>City Direct Tax Rate</u> | <u>Revenue Recognized By the City</u> |
|------------------------|--|-------------------------------------|---|
| 2014 | \$ 5,245,420 | 10.00% | 524,542 |
| 2015 | \$ 5,362,890 | 10.00% | 536,289 |
| 2016 | \$ 6,106,268 | 10.00% | 610,627 |
| 2017 | \$ 6,821,250 | 10.00% | 682,125 |
| 2018 | \$ 6,959,210 | 10.00% | 695,921 |
| 2019 | \$ 6,129,930 | 10.00% | 612,993 |
| 2020 | \$ 5,492,180 | 10.00% | 549,218 |
| 2021 | \$ 7,551,250 | 10.00% | 755,125 |
| 2022 | \$ 9,510,390 | 10.00% | 951,039 |
| 2023 | \$ 7,828,080 | 10.00% | 782,808 |

Notes and Data Sources:

Transient Occupancy Tax ("TOT") adoption requires a majority approval of voters.
Any subsequent changes to the established TOT rate requires a 2/3 voter approval.

**Schedule 8-D
City of Fortuna
Principal Transient Occupancy Tax Payers
Ten Year Review
(In Alphabetical Order)**

Fiscal Years Ending June 30

| 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Best Western Country Inn | Best Western Country Inn | Best Western Country Inn | Best Western Country Inn | Best Western Country Inn |
| Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites |
| Humboldt Redwood Inn | Humboldt Redwood Inn | Humboldt Redwood Inn | Humboldt Redwood Inn | Humboldt Redwood Inn |
| Redwood Riverwalk Hotel | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel |
| Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park |
| Six Rivers Motel | Six Rivers Motel | Six Rivers Motel | Six Rivers Motel | Six Rivers Motel |
| Super 8 Motel | Super 8 Motel | Super 8 Motel | Super 8 Motel | Super 8 Motel |
| Travel Inn | Travel Inn | Travel Inn | Travel Inn | Travel Inn |
| <hr/> | | | | |
| 2014 | 2015 | 2016 | 2017 | 2018 |
| Best Western Country Inn | Best Western Country Inn | Best Western Country Inn | Best Western Country Inn | Best Western Country Inn |
| Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites | Comfort Inn & Suites |
| Holiday Inn Express | Humboldt Redwood Inn | Humboldt Redwood Inn | Humboldt Redwood Inn | Humboldt Redwood Inn |
| National 9 Inn | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel | Redwood Riverwalk Hotel |
| Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park | Riverwalk RV Park |
| Six Rivers Motel | Six Rivers Motel | Six Rivers Motel | Six Rivers Motel | Six Rivers Motel |
| Super 8 Motel | Super 8 Motel | Super 8 Motel | Super 8 Motel | Super 8 Motel |
| The Redwood Fortuna | Travel Inn | Travel Inn | Travel Inn | Travel Inn |

Notes and Data Sources:

City Data

**Schedule 8-E
City of Fortuna
Water and Sewer Rates
Last Ten Fiscal Years**

| Fiscal Year | Water | | Sewer | |
|----------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
| | Monthly Base Rate | Rate Per 100 Cubic Feet | Monthly Base Rate | Rate Per 100 Cubic Feet |
| 2014 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2015 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2016 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2017 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2018 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2019 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2020 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2021 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2022 | 23.04 | 1.90 | 38.75 | 8.61 |
| 2023 | 23.04 | 1.90 | 38.75 | 8.61 |

Notes and Data Sources:
City of Fortuna Fee Schedule

**Schedule 8-F
City of Fortuna
Water and Sewer Rates
Last Ten Fiscal Years
Water Revenue Concentration Data**

| Fiscal Year | Residential | | Non-Residential | | Totals | |
|-------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Revenue In Dollars | # of Connections | Revenue In Dollars | # of Connections | Revenue In Dollars | # of Connections |
| 2014 | \$ 1,535,339 | 5004 | \$ 785,263 | 549 | \$ 2,320,602 | 5553 |
| 2015 | \$ 1,458,261 | 5011 | \$ 745,841 | 551 | \$ 2,204,102 | 5562 |
| 2016 | \$ 1,506,778 | 5016 | \$ 742,145 | 551 | \$ 2,248,923 | 5567 |
| 2017 | \$ 1,514,301 | 5025 | \$ 762,843 | 554 | \$ 2,277,144 | 5579 |
| 2018 | \$ 1,547,679 | 5077 | \$ 783,156 | 554 | \$ 2,330,835 | 5631 |
| 2019 | \$ 1,577,636 | 5141 | \$ 781,898 | 554 | \$ 2,359,534 | 5695 |
| 2020 | \$ 1,640,307 | 5155 | \$ 795,649 | 557 | \$ 2,435,956 | 5712 |
| 2021 | \$ 1,636,317 | 5181 | \$ 788,066 | 557 | \$ 2,424,383 | 5738 |
| 2022 | \$ 1,570,849 | 5231 | \$ 796,468 | 558 | \$ 2,367,317 | 5789 |
| 2023 | \$ 1,757,729 | 5256 | \$ 718,368 | 554 | \$ 2,476,097 | 5810 |

Wastewater Revenue Concentration Data

| Fiscal Year | Residential | | Non-Residential | | Totals | |
|-------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Revenue In Dollars | # of Connections | Revenue In Dollars | # of Connections | Revenue In Dollars | # of Connections |
| 2014 | \$ 2,623,430 | 4742 | \$ 840,563 | 498 | \$ 3,463,993 | 5240 |
| 2015 | \$ 2,596,862 | 4750 | \$ 840,563 | 498 | \$ 3,437,425 | 5248 |
| 2016 | \$ 2,588,628 | 4764 | \$ 826,449 | 499 | \$ 3,415,077 | 5263 |
| 2017 | \$ 2,609,255 | 4771 | \$ 842,141 | 501 | \$ 3,451,396 | 5272 |
| 2018 | \$ 2,651,219 | 4806 | \$ 855,685 | 503 | \$ 3,506,904 | 5309 |
| 2019 | \$ 2,676,609 | 4870 | \$ 858,663 | 504 | \$ 3,535,272 | 5374 |
| 2020 | \$ 2,659,708 | 4885 | \$ 847,436 | 507 | \$ 3,507,144 | 5392 |
| 2021 | \$ 2,640,931 | 4907 | \$ 851,112 | 508 | \$ 3,492,043 | 5415 |
| 2022 | \$ 2,668,383 | 4957 | \$ 864,674 | 509 | \$ 3,533,057 | 5466 |
| 2023 | \$ 2,728,186 | 4979 | \$ 883,196 | 508 | \$ 3,611,382 | 5487 |

Schedule 9
City of Fortuna
Ratios of Outstanding Debt By Type
Ten Year Review
(Dollars in Thousands except for Per Capita)

| Fiscal Year | Government Activities | | | Business-type Activities | | Total City Debt | Total City Debt as Percentage of Personal Income | Total City Debt Per Capita | Population | Per Capita Personal Income |
|-------------|--------------------------|---------------------|---------------------------|--------------------------|---------------|-----------------|--|----------------------------|------------|----------------------------|
| | General Obligation Bonds | Redevelopment Bonds | Capital Lease Obligations | Loans | Revenue Bonds | | | | | |
| 2014 | 3,000 | 12,735 | - | - | 19,335 | 35,070 | 13.84% | \$ 2,924 | 11,994 | 21,127 |
| 2015 | 2,760 | 12,590 | - | - | 18,835 | 34,185 | 13.49% | \$ 2,850 | 11,994 | 21,127 |
| 2016 | 2,515 | 12,425 | - | - | 18,310 | 33,250 | 12.96% | \$ 2,806 | 11,848 | 21,654 |
| 2017 | 2,260 | 12,240 | - | - | 17,760 | 32,260 | 13.25% | \$ 2,691 | 11,989 | 20,302 |
| 2018 | - | 8,635 | - | - | 14,145 | 22,780 | 9.27% | \$ 1,892 | 12,042 | 20,406 |
| 2019 | - | 8,450 | - | - | 13,550 | 22,000 | 8.61% | \$ 1,821 | 12,084 | 21,149 |
| 2020 | - | 8,220 | - | - | 13,040 | 21,260 | 7.90% | \$ 1,754 | 12,123 | 22,207 |
| 2021 | - | 7,970 | - | - | 12,520 | 20,490 | 6.80% | \$ 1,718 | 11,926 | 25,257 |
| 2022 | - | 7,705 | - | - | 11,970 | 19,675 | 6.34% | \$ 1,583 | 12,432 | 24,958 |
| 2023 | - | 7,425 | - | - | 11,400 | 18,825 | 4.94% | \$ 1,536 | 12,256 | 31,117 |

Notes and Data Sources:

Population: California State Department of Finance, Unemployment data: California Development Department
Income, Age and Education Data-US Census Bureau, most recent American Community Survey
Source: Hdl, Coren & Cone

Schedule 10
City of Fortuna
Ratios of General Bonded Debt Outstanding
Ten Year Analysis
(Dollars in Thousands except for Per Capita)

| Fiscal Year | General Bonded Debt Outstanding | | | Total | Percentage of Actual Taxable Value of Property | Per Capita |
|-------------|---------------------------------|---------------|----------------------|--------|--|------------|
| | General Obligation Bonds | Revenue Bonds | Tax Allocation Bonds | | | |
| 2014 | 3,000 | 12,735 | - | 15,735 | 1.78% | 1,324 |
| 2015 | 2,760 | 12,590 | - | 15,350 | 1.69% | 1,280 |
| 2016 | 2,515 | 12,425 | - | 14,940 | 1.61% | 1,261 |
| 2017 | 2,260 | 12,240 | - | 14,500 | 1.51% | 1,209 |
| 2018 | - | 8,635 | - | 8,635 | 0.88% | 717 |
| 2019 | - | 8,450 | - | 8,450 | 0.82% | 699 |
| 2020 | - | 8,220 | - | 8,220 | 0.75% | 678 |
| 2021 | - | 7,970 | - | 7,970 | 0.69% | 668 |
| 2022 | - | 7,705 | - | 7,705 | 0.65% | 620 |
| 2023 | - | 7,425 | - | 7,425 | 0.59% | 606 |

Notes and Data Sources:

See schedule 5 for total assessed values of property.

Schedule 11
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023
CITY OF FORTUNA

2022-23 Assessed Property Valuation: \$ 1,268,780,243

| <u>Overlapping Tax and Assessment Debt</u> | <u>Total Debt</u> <u>6/30/2023</u> | <u>Applicable</u> <u>Percentage</u> | <u>City of Fortuna</u> <u>Share of Debt</u> <u>6/30/2023</u> |
|---|---------------------------------------|--|--|
| Redwoods Joint Community College District | \$ 20,260,000 | 5.7% | \$ 1,163,127 |
| Fortuna Union High School District | 9,673,305 | 49.2% | 4,763,619 |
| Fortuna Elementary School District | 17,372,876 | 82.8% | 14,384,915 |
| Total Overlapping tax and Assessment Debt: | <u>\$ 47,306,181</u> | | <u>\$ 20,311,661</u> |
| <u>Direct and Overlapping General Fund Debt</u> | | | |
| Humboldt County General Fund Obligations | \$ 3,550,000 | 8.0% | \$ 285,030 |
| Humboldt County Board of Education COP | 5,894,385 | 8.0% | 473,260 |
| Total Direct and Overlapping General Fund Debt: | <u>\$ 9,444,385</u> | | <u>\$ 758,290</u> |
| Overlapping Tax Increment Debt: | <u>\$ 7,425,000</u> | 100% | <u>\$ 7,425,000</u> |
| Total Direct Debt: | \$ - | | \$ - |
| Total Overlapping Debt: | <u>64,175,566</u> | | <u>28,494,951</u> |
| Combined Total Debt: | <u>\$ 64,175,566</u> | | <u>\$ 28,494,951</u> |

Ratios to 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 1.600%
Total Direct Debt 0.000%
Combined Total Debt..... 2.250%

Ratios to Redevelopment Incremental Valuation:

Total Overlapping Tax Increment Debt..... 2.62%

Notes and Data Sources:

- a. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- b. Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Source: Humboldt County Assessor Tax Rate Table and MuniServices

**Schedule 12
City of Fortuna
Legal Debt Margin Information
Ten Year Review**

| <u>Fiscal Year</u> | <u>Debt Limit</u> | <u>Total Debt Applicable To Limit</u> | <u>Total Debt Applicable To Limit as Percentage of Debt Limit</u> |
|--------------------|-------------------|---------------------------------------|---|
| 2014 | \$ 132,495,586 | - | 0% |
| 2015 | \$ 135,902,700 | - | 0% |
| 2016 | \$ 139,111,800 | - | 0% |
| 2017 | \$ 143,955,750 | - | 0% |
| 2018 | \$ 147,787,650 | - | 0% |
| 2019 | \$ 154,341,900 | - | 0% |
| 2020 | \$ 165,257,550 | - | 0% |
| 2021 | \$ 172,404,150 | - | 0% |
| 2022 | \$ 178,347,300 | - | 0% |
| 2023 | \$ 190,317,000 | - | 0% |

Legal Debt Margin Calculation for Fiscal Year 2023

| | |
|------------------------------------|--------------|
| Assessed value | \$ 1,268,780 |
| Debt limit (15% of assessed value) | 190,317 |
| Less debt applicable to limit: | |
| General obligation bonds | - |
| Total debt applicable to limit | - |
| Legal debt margin | \$ 190,317 |

Notes and Data Sources:

California finance law states that the city's outstanding general obligation bonded debt should not exceed 15 percent of total assessed property value.

Source of Assessed Taxable Values: HdL, Coren and Cone,

Schedule 13
City of Fortuna
Pledged Revenue Coverage
Ten Year Review

Water Revenue Bonds

| Year | Water Service Revenues | Capital Impact Fees | Other Revenues | Less Operating Expenses | Net Available Revenue | Debt Service | | *Ratio |
|------|------------------------|---------------------|----------------|-------------------------|-----------------------|--------------|----------|--------|
| | | | | | | Principal | Interest | |
| 2014 | 2,337,351 | 54,582 | - | 1,049,050 | 1,342,883 | 185,000 | 345,998 | 2.53 |
| 2015 | 2,301,442 | 90,899 | - | 1,091,030 | 1,301,311 | 190,000 | 337,548 | 2.47 |
| 2016 | 2,402,085 | 64,231 | - | 1,414,885 | 1,051,431 | 200,000 | 328,798 | 1.99 |
| 2017 | 2,319,601 | 110,734 | - | 1,417,440 | 1,012,895 | 210,000 | 319,548 | 1.91 |
| 2018 | 2,493,979 | 127,259 | 311,576 | 2,020,616 | 912,198 | 220,000 | 251,799 | 1.93 |
| 2019 | 2,296,469 | 97,887 | 974,166 | 2,559,467 | 809,055 | 225,000 | 206,750 | 1.87 |
| 2020 | 2,358,114 | 40,615 | 646,428 | 2,137,358 | 907,799 | 195,000 | 202,700 | 2.28 |
| 2021 | 2,417,383 | 86,956 | 487,773 | 2,288,834 | 703,278 | 200,000 | 195,725 | 1.78 |
| 2022 | 2,399,828 | 69,800 | 1,035,294 | 3,231,426 | 273,496 | 210,000 | 187,425 | 0.69 |
| 2023 | 2,480,469 | 56,810 | 1,389,085 | 3,312,736 | 613,628 | 220,000 | 178,725 | 1.54 |

Wastewater Revenue Bonds

| Year | Wastewater Service Revenues | Capital Impact Fees | Other Revenues | Less Operating Expenses | Net Available Revenue | Debt Service | | *Ratio |
|------|-----------------------------|---------------------|----------------|-------------------------|-----------------------|--------------|----------|--------|
| | | | | | | Principal | Interest | |
| 2014 | 3,490,890 | 39,952 | - | 1,685,519 | 1,845,323 | 300,000 | 564,073 | 2.14 |
| 2015 | 3,466,823 | 139,383 | - | 1,685,519 | 1,920,687 | 310,000 | 550,321 | 2.23 |
| 2016 | 3,526,664 | 157,956 | - | 2,045,983 | 1,638,637 | 325,000 | 536,073 | 1.90 |
| 2017 | 3,513,379 | 190,818 | - | 2,096,401 | 1,607,796 | 340,000 | 521,073 | 1.87 |
| 2018 | 3,785,399 | 238,579 | 453,208 | 2,700,738 | 1,776,448 | 355,000 | 439,470 | 2.24 |
| 2019 | 3,463,124 | 182,880 | 1,136,566 | 2,862,388 | 1,920,182 | 370,000 | 386,269 | 2.54 |
| 2020 | 3,400,290 | 112,088 | 1,119,387 | 3,105,133 | 1,526,632 | 315,000 | 379,694 | 2.20 |
| 2021 | 3,482,858 | 234,343 | 1,274,474 | 3,595,910 | 1,395,765 | 320,000 | 368,519 | 2.03 |
| 2022 | 3,592,984 | 195,739 | 826,623 | 3,053,114 | 1,562,232 | 340,000 | 355,119 | 2.25 |
| 2023 | 3,516,702 | 145,270 | 739,114 | 4,147,803 | 253,283 | 350,000 | 341,219 | 0.37 |

Successor Agency Revenue Bonds*

| Year | RPTTF Revenue | Debt Service | | *Ratio |
|------|---------------|--------------|----------|--------|
| | | Principal | Interest | |
| 2014 | 750,654 | 125,000 | 608,350 | 1.02 |
| 2015 | 387,086 | 145,000 | 603,052 | 0.52 |
| 2016 | 778,067 | 150,000 | 473,099 | 1.25 |
| 2017 | 980,149 | 165,000 | 465,246 | 1.56 |
| 2018 | 1,092,080 | 185,000 | 422,369 | 1.80 |
| 2019 | 1,118,426 | 185,000 | 284,663 | 2.38 |
| 2020 | 722,031 | 230,000 | 277,283 | 1.42 |
| 2021 | 980,158 | 250,000 | 270,188 | 1.88 |
| 2022 | 850,606 | 265,000 | 265,038 | 1.60 |
| 2023 | 1,053,438 | 280,000 | 258,888 | 1.95 |

Notes and Data Sources:

- a. *Ratio is determined by dividing Net Available Revenue by total payment (principle and interest)
- b. Minimum Debt Ratio Requirement is 1.25
- c. Water & Wastewater revenues include operating revenues, interest revenues, and capital impact fees.
- d. Operating expenses exclude depreciation and amortization

*The Successor Agency to the former Redevelopment Agency receives tax increment revenues only in the amount necessary to pay enforceable obligations. Any surplus tax is then redistributed to the taxing agencies.

**Schedule 14
City of Fortuna
Demographic and Economic Statistics
Ten Year Review**

| Fiscal Year | Population ¹ | Personal Income ³ | Per Capita Personal Income | Unemployment Rate ² | Median Age ³ |
|----------------|-------------------------|---------------------------------|----------------------------------|-----------------------------------|----------------------------|
| 2014 | 11,902 | 273,627,000 | \$ 22,990 | 6.50% | 42.6 |
| 2015 | 11,994 | 253,397,000 | \$ 21,127 | 6.80% | 38.3 |
| 2016 | 11,848 | 256,553,000 | \$ 21,654 | 5.60% | 38.1 |
| 2017 | 11,989 | 243,406,000 | \$ 20,302 | 4.90% | 39.2 |
| 2018 | 12,042 | 245,724,000 | \$ 20,406 | 3.90% | 39.4 |
| 2019 | 12,084 | 255,561,000 | \$ 21,149 | 4.20% | 39.9 |
| 2020 | 12,123 | 269,218,000 | \$ 22,207 | 3.10% | 39.9 |
| 2021 | 11,926 | 301,213,000 | \$ 25,257 | 7.90% | 40.8 |
| 2022 | 12,432 | 310,275,000 | \$ 24,958 | 4.20% | 40.3 |
| 2023 | 12,256 | 381,374,000 | \$ 31,117 | 3.00% | 40.2 |

Notes and Data Sources:

- 1 Source: California State Department of Finance
- 2 Source: California Employment Development Department
- 3 Source: US Census Bureau, most recent American Community Survey

Source: HdL, Coren & Cone

**Schedule 15
City of Fortuna
Principal Employers (Ten Largest)
(In Alphabetical Order)**

FYE 2023

City of Fortuna
Eel River Brewery
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Recology Eel River
Redwood Memorial Hospital
Safeway

FYE 2022

City of Fortuna
Eel River Brewery
Emeritus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Recology Eel River
Redwood Memorial Hospital
Safeway

FYE 2021

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2020

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2019

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2018

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2017

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2016

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2015

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

FYE 2014

City of Fortuna
Eel River Brewery
Eel River Disposal
Emeitus Senior Living
Fortuna Rehab and Wellness
Fortuna Union Elementary School District
Fortuna Union High School District
Ray's Food Place
Redwood Memorial Hospital
Safeway

**Schedule 16
City of Fortuna
Full-Time Equivalent City Government Employees by Function/Program
Ten Year Analysis**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Function/Program: | | | | | | | | | | |
| General government: | | | | | | | | | | |
| City Manager | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Finance | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Police | 24.00 | 24.00 | 24.00 | 23.00 | 28.00 | 28.00 | 27.00 | 26.00 | 26.00 | 27.00 |
| Community Development | 4.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Public Works | 30.00 | 30.00 | 30.00 | 30.00 | 31.00 | 31.00 | 31.00 | 30.00 | 28.00 | 29.00 |
| Parks and Recreation | 7.00 | 6.00 | 6.00 | 6.00 | 9.00 | 9.00 | 8.00 | 8.00 | 8.00 | 9.00 |
| River Lodge Conference Center | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Transit | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> |
| Totals | <u><u>75.00</u></u> | <u><u>73.00</u></u> | <u><u>74.00</u></u> | <u><u>73.00</u></u> | <u><u>82.00</u></u> | <u><u>83.00</u></u> | <u><u>81.00</u></u> | <u><u>79.00</u></u> | <u><u>77.00</u></u> | <u><u>80.00</u></u> |

Schedule 17
City of Fortuna
Operating Indicators by Function/Program
Ten Year Analysis

| Function/Program | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------|-------|-------|-------|-------|-------|-------|------|--------|--------|
| Police: | | | | | | | | | | |
| Physical arrest | 1044 | 1088 | 963 | 1039 | 1098 | 1134 | 751 | 887 | 686 | 756 |
| Traffic violations | 649 | 439 | 267 | 351 | 563 | 724 | 250 | 412 | 199 | 378 |
| Planning: | | | | | | | | | | |
| Building permits issued | 357 | 334 | 354 | 367 | 387 | 333 | 341 | 353 | 333 | 325 |
| Public works: | | | | | | | | | | |
| Street lane miles resurfaced | 3.00 | 1.45 | 1.60 | 1.60 | 0.25 | 1.25 | 2.05 | 0.50 | 1.77 | 0.36 |
| Riverlodge/Monday Club: | | | | | | | | | | |
| Community Events | 386 | 376 | 347 | 335 | 326 | 346 | 253 | 57 | 303 | 336 |
| Parks and Recreation: | | | | | | | | | | |
| Recreation Program Admissions ⁽¹⁾ | 9,500 | 7,322 | 6,549 | 6,937 | 6,694 | 6,051 | 3,126 | 541 | 11,457 | 10,432 |
| Water: | | | | | | | | | | |
| Number new connections | 20 | 9 | 5 | 12 | 52 | 64 | 17 | 26 | 51 | 21 |
| Daily average water production in MGD | 1.13 | 1.10 | 1.10 | 1.10 | 1.08 | 1.08 | 1.20 | 1.25 | 1.09 | 0.95 |
| Daily average water consumption in MGD | 1.14 | 0.93 | 0.91 | 0.92 | 0.93 | 0.93 | 0.94 | 1.00 | 0.92 | 0.90 |
| Wastewater: | | | | | | | | | | |
| Number new connections | 15 | 8 | 15 | 9 | 37 | 65 | 18 | 23 | 51 | 21 |
| Daily average treatment in millions gallons(MGD) | 1.90 | 1.16 | 1.03 | 1.60 | 1.42 | 1.42 | 1.15 | 1.14 | 1.05 | 1.13 |

(1) Starting in fiscal year 2014-15 the Recreation Program Admissions were calculated based on the number of people signed up for Recreation Programs.

**Schedule 18
City of Fortuna
Capital Asset Statistics by Function/Program
Ten Year Analysis**

| <u>Function/Program</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Public Works: | | | | | | | | | | |
| Miles of streets | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 |
| Streetlights | 523 | 523 | 523 | 523 | 523 | 523 | 523 | 523 | 523 | 523 |
| Traffic signals | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Riverlodge/Monday Club | | | | | | | | | | |
| Community centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks and Recreation: | | | | | | | | | | |
| Parks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Park acreage | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 93 | 93 |
| Skate Pavilion | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Museum | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water: | | | | | | | | | | |
| Number connections | 5,553 | 5,562 | 5,567 | 5,579 | 5,631 | 5,695 | 5,712 | 5,738 | 5,789 | 5,810 |
| Maximum plant capacity in millions gallons | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| Wastewater: | | | | | | | | | | |
| Miles of sewers | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 |
| Number connections | 5,240 | 5,248 | 5,263 | 5,272 | 5,309 | 5,374 | 5,392 | 5,415 | 5,466 | 5,487 |
| Maximum plant capacity in millions gallons | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |

REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS IN RELATION TO THE LOCAL
TRANSPORTATION PURPOSE FUNDS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Honorable
Mayor and Members of the City Council
City of Fortuna
Fortuna, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fortuna, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Fortuna's basic financial statements, and have issued our report thereon dated February 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fortuna's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fortuna's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fortuna's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City of Fortuna's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

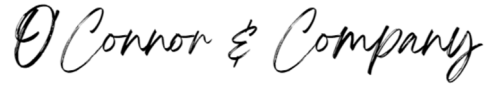
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with such provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable
Mayor and Members of the City Council
City of Fortuna – Page 2

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fortuna’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fortuna’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



O'Connor and Company

Novato, California
February 29, 2024