



City of Point Arena

2026 Municipal Service Review and Sphere of Influence Update

Photo Credit: City of Point Arena

Prepared By/For:

Mendocino LAFCo

200 South School Street

Ukiah, California 95482

<http://www.mendolafco.org/>

Workshop: May 4, 2026

Public Hearing: June 1, 2026

Adopted: June 1, 2026

LAFCo Resolution No: 2025-26-09

[This page intentionally left blank]

MENDOCINO LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. 2025-26-09

APPROVING THE CITY OF POINT ARENA MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE 2026

WHEREAS, the Mendocino Local Agency Formation Commission (LAFCo), hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local governmental agencies whose jurisdictions are within Mendocino County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the City of Point Arena, hereinafter referred to as the “City” or “Point Arena”, pursuant to California Government Code Section 56430; and

WHEREAS, the Commission conducted a sphere of influence update for the City pursuant to California Government Code Section 56425; and

WHEREAS, the Commission held a public workshop on May 4, 2026 to receive public and agency comments and provide direction on revisions to the City’s Draft MSR/SOI update; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner prescribed by law; and

WHEREAS, the Executive Officer’s report and recommendations on the municipal service review and sphere of influence update were presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the Municipal Service Review and Sphere of Influence Update on June 1, 2026; and

WHEREAS, the Commission considered all the factors required under California Government Code Sections 56430 and 56425.

NOW, THEREFORE, BE IT RESOLVED that the Mendocino Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

1. The Commission, as Lead Agency, finds the municipal service review categorically exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15306 (Class 6 Exemption). This finding is based on the use of the municipal service review as a data collection and service evaluation study. There are no land use changes or environmental impacts created or recommended by the MSR. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.
2. The Commission, as Lead Agency, finds the sphere of influence update exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15061(b)(3) (General Rule). This finding is based on the Commission determining with certainty that the sphere of influence update will have no possibility of significantly effecting the environment given that this update does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: "City of Point Arena MSR/SOI Update 2026".
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the City.

BE IT FURTHER RESOLVED that the City of Point Arena MSR/SOI Update 2026 is hereby approved and incorporated herein by reference and that the proposed Sphere of Influence is affirmed as depicted in Exhibit "A", attached hereto:

PASSED AND ADOPTED by the Mendocino Local Agency Formation Commission on this 1st day of June 2026, by the following vote:

AYES: Mahoney, Rodin, Ward, Cline, Gonzalez, Horsley, Mulheren

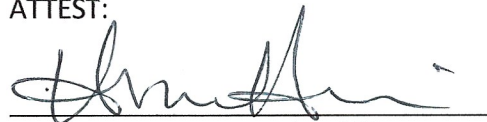
NOES: 0

ABSTAIN: 0

ABSENT: 0

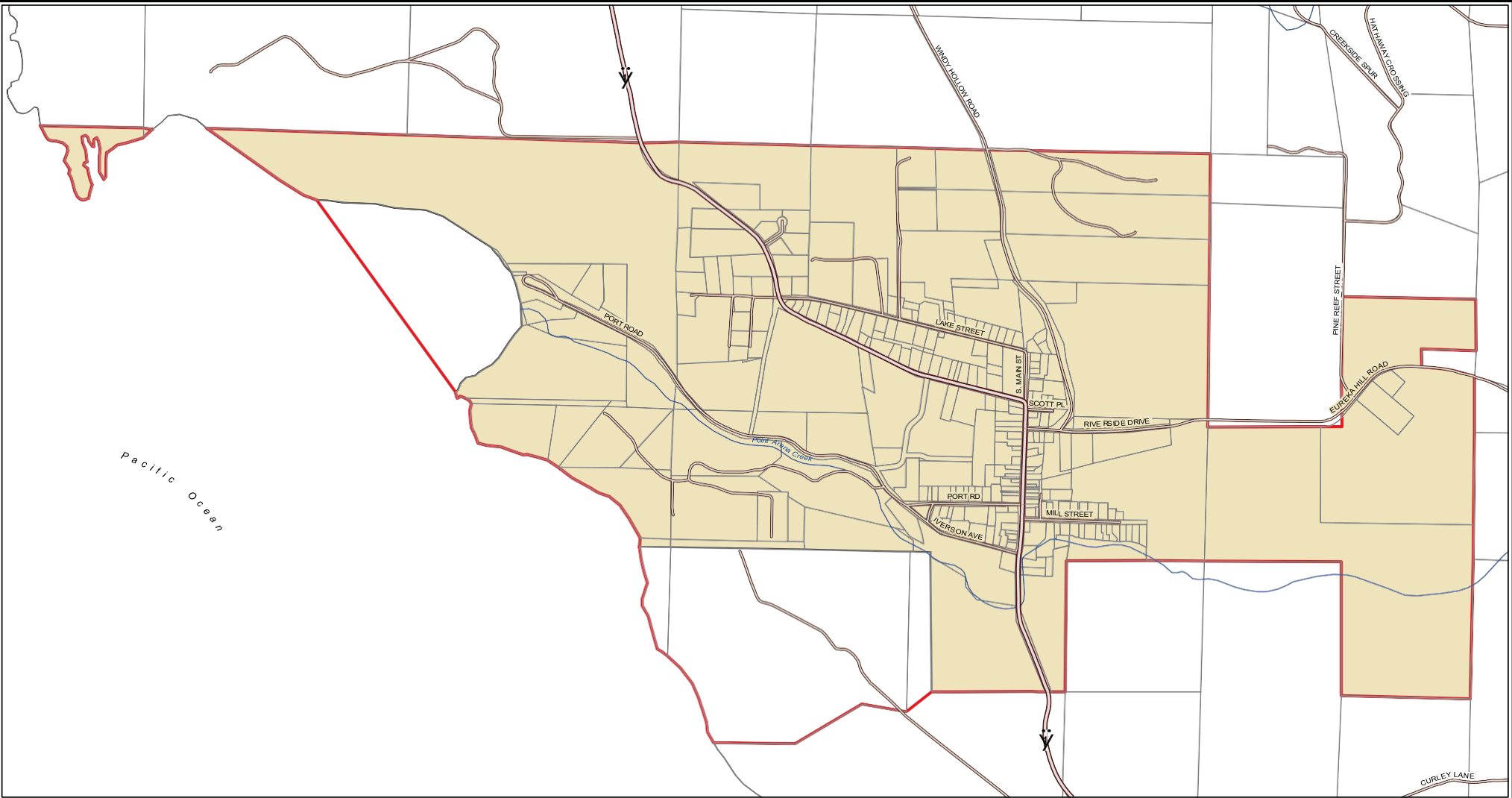

MAUREEN MULHEREN, Commission Chair

ATTEST:



UMA HINMAN, Executive Officer

Exhibit "A"



City of Point Arena Sphere of Influence

Source: This map was created by the Mendocino County Division of Information Services GIS Program, May 2025.
Note: This map is not a survey product.

- City of Point Arena Sphere of Influence
- City of Point Arena
- Parcels
- Highway
- Roads
- Streams



TABLE OF CONTENTS

| | |
|--|------|
| LIST OF TABLES..... | 1-0 |
| LIST OF FIGURES..... | 1-0 |
| ACRONYMS | 1-0 |
| 1 INTRODUCTION..... | 1-1 |
| 1.1 Local Agency Formation Commission | 1-1 |
| 1.2 Mendocino LAFCo..... | 1-1 |
| 1.3 Municipal Service Review | 1-2 |
| 1.4 Sphere of Influence..... | 1-3 |
| 1.5 Senate Bill 215 | 1-3 |
| 2 AGENCY OVERVIEW | 2-1 |
| 2.1 History | 2-1 |
| 2.1.1 Formation..... | 2-1 |
| 2.1.2 Boundary..... | 2-1 |
| 2.1.3 Services | 2-1 |
| 2.2 Government Structure..... | 2-4 |
| 2.2.1 Governing Body..... | 2-4 |
| 2.2.2 Public Meetings..... | 2-5 |
| 2.2.3 Public Outreach..... | 2-5 |
| 2.2.4 Complaints | 2-6 |
| 2.2.5 Transparency and Accountability | 2-6 |
| 2.3 Operational Structure..... | 2-7 |
| 2.3.1 Management and Staffing..... | 2-7 |
| 2.3.2 Agency Performance | 2-10 |
| 2.3.3 Regional and Service-Specific Collaboration..... | 2-11 |
| 2.3.4 Shared Service Delivery..... | 2-11 |
| 2.3.5 Government Restructure and Community Needs | 2-14 |
| 2.4 Finances..... | 2-14 |
| 2.4.1 Current Fiscal Health | 2-15 |
| 2.4.2 Long Term Financial Considerations..... | 2-23 |
| 2.5 Growth..... | 2-26 |
| 2.5.1 Area History..... | 2-26 |

| | | |
|-------|---|------|
| 2.5.2 | Present and Planned Land Use and Development..... | 2-26 |
| 2.5.3 | Existing Population and Projected Growth..... | 2-31 |
| 2.5.4 | California Housing Goals..... | 2-32 |
| 2.6 | Disadvantaged Unincorporated Communities..... | 2-32 |
| 3 | MUNICIPAL SERVICES..... | 3-1 |
| 3.1 | Service Overview | 3-1 |
| 3.1.1 | Services | 3-1 |
| 3.1.2 | Service Area..... | 3-1 |
| 3.1.3 | Outside Agency Services..... | 3-2 |
| 3.2 | General Administrative Services (General Government)..... | 3-2 |
| 3.2.1 | Staffing | 3-2 |
| 3.2.2 | Service Adequacy | 3-2 |
| 3.3 | Street Maintenance..... | 3-3 |
| 3.3.1 | Service Overview | 3-3 |
| 3.3.2 | Facilities and Capacity | 3-3 |
| 3.3.3 | Service Adequacy | 3-4 |
| 3.4 | Stormwater..... | 3-4 |
| 3.4.1 | Service Overview | 3-4 |
| 3.4.2 | Facilities and Capacity | 3-4 |
| 3.4.3 | Service Adequacy | 3-5 |
| 3.5 | Parks and Facilities..... | 3-6 |
| 3.5.1 | Service Overview | 3-6 |
| 3.5.2 | Facilities and Capacity | 3-6 |
| 3.5.3 | Service Adequacy | 3-8 |
| 3.6 | Harbor and Pier Operations..... | 3-8 |
| 3.6.1 | Service Overview | 3-8 |
| 3.6.2 | Facilities and Capacity | 3-9 |
| 3.6.3 | Service Adequacy | 3-11 |
| 3.7 | Wastewater Services | 3-11 |
| 3.7.1 | Service Overview | 3-11 |
| 3.7.2 | Facilities and Capacity | 3-12 |
| 3.7.3 | Service Adequacy | 3-16 |
| 3.8 | Outside Municipal Service Providers | 3-17 |

| | | |
|-------|---|------|
| 3.8.1 | Community Development | 3-17 |
| 3.8.2 | Law Enforcement | 3-17 |
| 3.8.3 | Fire Protection and Emergency Services | 3-17 |
| 3.8.4 | Water | 3-18 |
| 3.8.5 | Solid Waste Services..... | 3-18 |
| 3.9 | MSR Determinations..... | 3-19 |
| 3.9.1 | MSR Review Factors | 3-19 |
| 4 | SPHERE OF INFLUENCE..... | 4-1 |
| 4.1 | Mendocino LAFCo Policies..... | 4-1 |
| 4.2 | Existing Sphere of Influence | 4-4 |
| 4.2.1 | Study Areas | 4-4 |
| 4.2.2 | Area of Interest Designation..... | 4-5 |
| 4.3 | Proposed Sphere of Influence..... | 4-5 |
| 4.4 | Consistency with LAFCo Policies | 4-5 |
| 4.5 | Determinations..... | 4-5 |
| 4.5.1 | Present and Planned Land Uses in the Area, Including Agricultural and Open Space Lands | 4-6 |
| 4.5.2 | Present and Probable Need for Public Facilities and Services in the Area..... | 4-6 |
| 4.5.3 | Present Capacity of Public Facilities and Adequacy of Public Services | 4-6 |
| 4.5.4 | Existence of Any Social or Economic Communities of Interest..... | 4-7 |
| 4.5.5 | Present and Probable Need for Public Facilities and Services of Any Disadvantaged Unincorporated Communities | 4-7 |
| 4.6 | Conclusion | 4-8 |
| 4.7 | Recommendation | 4-8 |
| 5 | REFERENCES..... | 5-1 |
| 6 | ACKNOWLEDGEMENTS | 6-1 |
| 6.1 | Report Preparation | 6-1 |
| 6.2 | Assistance and Support | 6-1 |
| 7 | APPENDICES..... | 7-1 |
| 7.1 | Appendix A – Open Government Resources..... | 7-1 |
| 7.2 | Appendix B – Website Compliance Handout | 7-2 |
| 7.3 | Appendix C – Housing Legislation Trends and Results | 7-3 |
| 7.4 | Appendix D – City Financial Audits | 7-7 |

LIST OF TABLES

| | |
|--|------|
| Table 1-1: Current Mendocino LAFCO Commissioners, 2026 | 1-1 |
| Table 2-1: City of Point Arena Profile | 2-1 |
| Table 2-2: City of Point Arena City Council | 2-4 |
| Table 2-3: City of Point Arena Staffing Levels by Department | 2-7 |
| Table 2-4: City of Point Arena Contract Staff, 2026 | 2-8 |
| Table 2-5: Adjacent or Nearby Service Providers | 2-11 |
| Table 2-6: City of Point Arena Interagency Collaborations | 2-13 |
| Table 2-7: Financial Summary of Activities | 2-17 |
| Table 2-8: Point Arena Assets, Governmental Activities | 2-21 |
| Table 2-9: Point Arena Assets, Business-Type Activities | 2-22 |
| Table 2-10: Point Arena DOF Population Estimates | 2-31 |
| Table 3-1: Point Arena Pier Fees | 3-10 |
| Table 3-2: Point Arena Wastewater Flow Data | 3-12 |
| Table 3-3: City Regulatory Measures | 3-15 |
| Table 7-1: Mendocino County RHNA Allocations | 7-4 |

LIST OF FIGURES

| | |
|---|------|
| Figure 2-1: Point Arena Main Street Historic Commercial District | 2-2 |
| Figure 2-2: City of Point Arena Boundary and Sphere of Influence | 2-3 |
| Figure 2-3: City of Point Arena Organization Chart | 2-9 |
| Figure 2-4: Revenue by Category | 2-18 |
| Figure 2-5: Expenditures by Category | 2-19 |
| Figure 2-6: Revenues and Expenditures, FYE 2021 - 2024 | 2-20 |
| Figure 2-7: Point Arena Capital Improvement Projects | 2-25 |
| Figure 2-8: Point Arena Zoning Map | 2-28 |
| Figure 2-9: Mendocino County Zoning Map | 2-29 |
| Figure 2-10: California Natural Resources Agency – (S)DAC Communities Map | 2-34 |
| Figure 3-1: Existing Drainage Patterns | 3-5 |
| Figure 3-2: Existing Park Locations in Point Arena | 3-7 |
| Figure 3-3: Draft Proposed Campground at Rock Wall Park | 3-8 |
| Figure 3-4: The Pier at Point Arena Cove | 3-9 |
| Figure 3-5: Point Arena WWTP Facilities | 3-13 |
| Figure 3-6: Existing Sewer Collection Lines and Water Service Lines | 3-13 |
| Figure 3-7: SWRCB Point Arena WWTP Violations | 3-16 |

ACRONYMS

| | |
|---------|--|
| AB | Assembly Bill |
| ACS | American Community Survey |
| ADU | Accessory Dwelling Unit |
| ADWF | Average Dry Weather Flow |
| AFY | Acre Foot Per Year |
| AMI | Area Median Income |
| AOI | Area of Interest |
| APR | Annual Progress Report |
| CALAFCO | California Association of Local Agency Formation Commissions |
| CCC | California Coastal Commission |
| CCF | Centum Cubic Feet |
| CDP | Census-Designated Place |
| CEQA | California Environmental Quality Act |
| CHP | California Highway Patrol |
| CIP | Capital Improvement Plan |
| CIRA | California Intergovernmental Risk Authority |
| CKH | Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 |
| COPS | Community Oriented Policing Services |
| CLSD | Coast Life Support District |
| CPUC | California Public Utilities Commission |
| CSDA | California Special Districts Association |
| DAC | Disadvantaged Community |
| DOF | California Department of Finance |
| DUC | Disadvantaged Unincorporated Community |
| DWR | California Department of Water Resources |
| ESD | Equivalent Standard Dwelling |
| FPD | Fire Protection District |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |
| GC | Government Code |
| GHG | Greenhouse Gas |
| GPD | Gallons Per Day |
| GPM | Gallons Per Minute |
| HCD | California Department of Housing and Community Development |
| HWY | Highway |
| ISO | Insurance Services Office |
| I&I | Inflow and Infiltration |
| JADU | Junior Accessory Dwelling Unit |
| JPA | Joint Powers Authority |
| LAFCo | Local Agency Formation Commission |
| LCP | Local Coastal Program |
| MCOG | Mendocino Council of Governments |
| MCRCO | Mendocino County Resource Conservation District |

| | |
|-------|---|
| MCRPD | Mendocino Coast Recreation and Park District |
| MCSO | Mendocino County Sheriff's Office |
| MGD | Million Gallons Per Day |
| MHI | Median Household Income |
| MPO | Metropolitan Planning Organization |
| MSR | Municipal Service Review |
| OPR | California Governor's Office of Planning and Research |
| PAMA | Point Arena Merchant's Association |
| PAWW | Point Arena Water Works, Inc. |
| PCI | Pavement Condition Index |
| PRC | California Public Resources Code |
| PWWF | Peak Wet Weather Flow |
| RCFPD | Redwood Coast Fire Protection District |
| RHNA | Regional Housing Needs Assessment |
| RMRA | Road Maintenance and Rehabilitation Account |
| RTP | Regional Transportation Plan |
| RWQCB | California Regional Water Quality Control Board |
| SB | Senate Bill |
| SDAC | Severely Disadvantaged Community |
| SDUC | Severely Disadvantaged Unincorporated Community |
| SOI | Sphere of Influence |
| SR | State Route |
| SSMP | Sewer System Management Plan |
| SSO | Sanitary Sewer Overflow |
| SWRCB | California State Water Resources Control Board |
| TOT | Transient Occupancy Tax |
| WDR | Waste Discharge Requirements |
| WWTP | Wastewater Treatment Plant |

1 INTRODUCTION

1.1 Local Agency Formation Commission

Local Agency Formation Commissions (LAFCo/Commissions) are quasi-legislative, independent local agencies established by State legislation in 1963 to oversee the logical and orderly formation and development of local government entities including cities and special districts. There is one LAFCo for each county in California.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) under California Government Code (GC) Section (§) 56000 and the following (et. seq.) with goals to promote orderly growth, prevent urban sprawl, preserve agricultural and open space lands, and oversee efficient provision of municipal services.

LAFCo has the authority to establish and reorganize cities and special districts, change their boundaries and authorized services, allow the extension of public services, perform municipal service reviews, and establish spheres of influence. Some of LAFCo's duties include regulating boundary changes through annexations or detachments and forming, consolidating, or dissolving local agencies.

1.2 Mendocino LAFCo

The CKH Act provides for flexibility in addressing State regulations to allow for adaptation to local needs. Each LAFCo works to implement the CKH Act to meet local needs through the flexibility allowed in how state regulations are implemented through establishment of local policies to address the unique conditions of the county. Accordingly, Mendocino LAFCo has adopted policies, procedures and principles that guide its operations. These policies and procedures can be found on Mendocino LAFCo's website.¹

Mendocino LAFCo has a public Commission with seven regular Commissioners and four alternate Commissioners. The Commission is composed of two members of the Mendocino County Board of Supervisors, two City Council members, two Special District Board of Directors members, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

Table 1-1 below lists the current members, the organization they represent, if they are an alternate, and the date their term expires.

Table 1-1: Current Mendocino LAFCo Commissioners, 2026

| <i>Commissioner Name</i> | <i>Position</i> | <i>Representative Agency</i> | <i>Term Expires</i> |
|---------------------------------|------------------------|-------------------------------------|----------------------------|
| Madeline Cline | Commissioner | County | 2028 |
| Gerardo Gonzalez | Commissioner | City | 2026 |
| Candace Horsley | Commissioner | Special Districts | 2026 |
| Susan Mahoney | Commissioner | Special Districts | 2028 |
| Maureen Mulheren | Chair | County | 2026 |
| Mari Rodin | Commissioner | City | 2025 |
| Gerald Ward | Vice-Chair/Treasurer | Public | 2026 |
| Bruce Alfano | Alternate | Public | 2027 |
| Barbara Burkey | Alternate | City | 2029 |
| Adam Gaska | Alternate | Special Districts | 2026 |
| John Haschak | Alternate | County | 2027 |

¹ The Mendocino LAFCo Policies and Procedures Manual can be found here: <http://www.mendolafco.org/policies.html>.

1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts ([GC §56430](#)).² MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI) (Assembly Committee on Local Government 2023). This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by City of Point Arena (City/Point Arena).

An MSR is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. An MSR must address the following seven factors:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

MSRs include written statements or determinations with respect to each of the seven mandated areas of evaluation outlined above. These determinations provide the basis for LAFCo to consider the appropriateness of a service provider's existing and future service area boundary. This MSR Update studies the municipal services provided by the City of Point Arena, including general government, finance, community development, public works, harbor and pier operations, and wastewater. This review also provides technical and administrative information to support Mendocino LAFCo's evaluation of the existing boundary for the City.

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented in Section 3.9. LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services.

Ideally, an MSR will support LAFCo's directives and deliberations and will also provide the following benefits to the subject agencies:

- Provide a broad overview of agency operations including type and extent of services provided;
- Serve as a prerequisite for a SOI Update;

² California GC §56430 (2024) can be found here: [California Government Code § 56430 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

- Evaluate governance options and financial information;
- Identify areas within the factors noted above that may benefit from improvement;
- Demonstrate accountability and transparency to LAFCo and to the public; and
- Allow agencies to compare their operations and services with other similar agencies.

1.4 Sphere of Influence

The CKH Act requires LAFCo to adopt a Sphere of Influence (SOI) for all local agencies within its jurisdiction. An SOI is “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission” ([GC §56076](#)).³

When reviewing an SOI for a municipal service provider, pursuant to [GC §56425\(e\)](#),⁴ LAFCo will consider the following five factors:

1. The present and planned land uses in the area, including agricultural and open space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to [GC §56425\(g\)](#)⁴ on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

SOI studies include written statements or determinations with respect to each of the five mandated areas of evaluation outlined above. These determinations provide the basis for LAFCo to consider the appropriateness of establishing or modifying a service provider’s SOI or probable future boundary.

1.5 Senate Bill 215

Senate Bill (SB) 215 (Wiggins) requires LAFCo to consider regional transportation plans and sustainable community strategies developed pursuant to SB 375 before making boundary decisions. SB 375 (Sustainable Communities and Climate Protection Act) requires each metropolitan planning organization (MPO) to address regional greenhouse gas (GHG) emission reduction targets for passenger vehicles in their Regional Transportation Plan (RTP) by integrating planning for transportation, land-use, and housing in a sustainable communities strategy.

Mendocino County is not located within an MPO boundary and therefore is not subject to the provisions of SB 375. However, the Mendocino Council of Governments (MCOG) supports and coordinates the local planning efforts of Mendocino County and the cities of Fort Bragg, Point Arena, Ukiah, and Willits to address regional housing and transportation needs and helps provide a framework for sustainable

³ California GC §56076 (2024) can be found here: [California Government Code § 56076 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia](#) .

⁴ California GC §56425 (2024) can be found here: [California Government Code § 56425 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia](#) .

regional growth patterns through the 2018 Mendocino County Regional Housing Needs Plan and Vision Mendocino 2030 Blueprint Plan. The MCOG is also responsible for allocating regional transportation funding to transportation improvement projects consistent with the 2017 RTP for Mendocino County.

Mendocino County and the cities of Fort Bragg, Point Arena, Ukiah, and Willits are the local agencies primarily responsible for planning regional growth patterns through adoption and implementation of general plan and zoning regulations. While Mendocino County is not subject to the provisions of SB 375, LAFCo will review applicable regional transportation and growth plans when considering a change of organization or reorganization application.

2 AGENCY OVERVIEW

| Table 2-1: City of Point Arena Profile | |
|--|--|
| Agency Name: | City of Point Arena |
| City Manager | Molly Haviland |
| Assistant City Manager/City Clerk | Paul Andersen |
| Office Location: | 451 School Street, Point Arena, CA 95468 |
| Mailing Address: | PO Box 67, Point Arena, CA 95468 |
| Phone Number: | 707-882-2122 |
| Website: | https://pointarena.ca.gov/ |
| Email: | admin@pointarena.ca.gov |
| Date of Formation: | July 11, 1908 |
| Agency Type: | General Law City, Multiple-Service Provider |
| Enabling Legislation | Government Code Section 34000 et seq. |
| Board Meeting Schedule: | The third Tuesday of each month at 6:00 p.m. |

2.1 History

2.1.1 Formation

The City of Point Area (City/Point Arena) was incorporated on July 11, 1908. It is a General Law City with a City Council-City Manager form of government which operates within the parameters and guidelines of California Municipal Law.

2.1.2 Boundary

The City of Point Arena is located on the southern coast of Mendocino County and is bordered to the west by the Pacific Ocean. The City sits at an elevation of 118 feet and has a land area of 1.35 square miles (864 acres); there are no unincorporated islands (see Figure 2-2). Nestled amongst the mountainous terrain of coastal Mendocino, the City straddles State Highway 1 and is generally located between the community of Mendocino 34 miles to the north and Gualala 15 miles to the south. Point Arena is the smallest of the four incorporated cities of Mendocino County, the others being Ukiah (50 miles northeast), Willits (74 miles northeast), and Fort Bragg (45 miles north).

2.1.2.1 BOUNDARY CHANGE HISTORY

The most recent change to Point Arena’s boundary was the Hay Annexation, which added 156 acres to the City in 1990 (LAFCo Resolution No. 88-2).⁵ No subsequent detachments or annexations have occurred.

2.1.3 Services

The City provides municipal services to its residents by a number of means. Services offered directly by the City of Point Arena include the following as defined by City departments: General Administrative Services (General Government), Public Works (Street Maintenance, Stormwater, Parks and Facilities), Harbor and Pier Operations, Recycling, and Wastewater.

⁵ LAFCo Resolution No. 88-2 can be found here: [88-2+Hay+Annex+and+Neg+Dec+to+City+of+Point+Arena.pdf](#).

All other municipal services are provided to City residents by other public agencies and private businesses through agreements and service contracts. Contracted municipal services include the following: community development (Planning, Building, Code Compliance), law enforcement, fire protection and emergency services, solid waste services, and utilities (water). This MSR provides a summary of all municipal services provided within the City, including those that are provided via agreements and contracts; however, the focus of the MSR is on those services provided directly by the City.

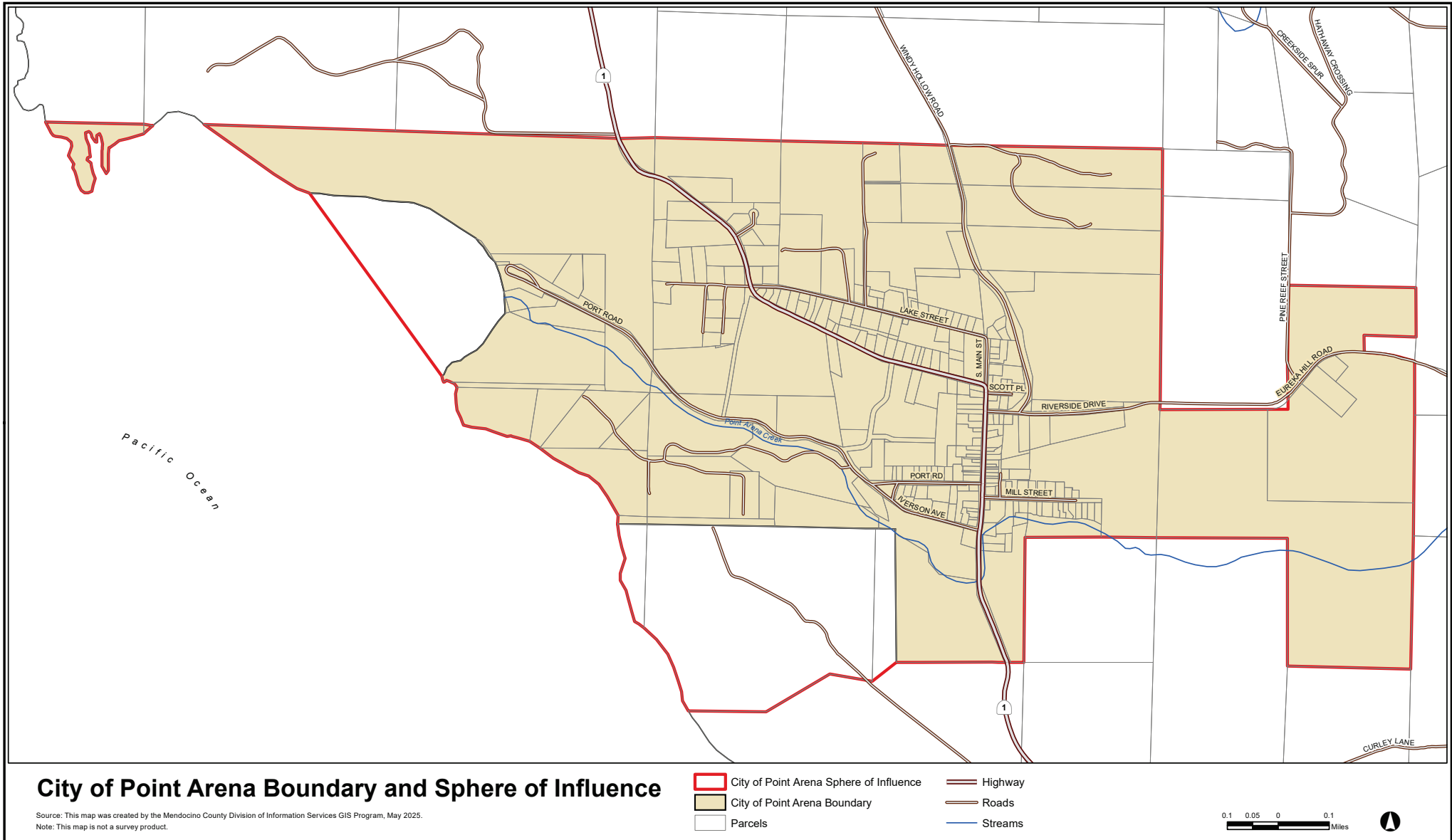
For more information regarding services, refer to Chapter 3.

Figure 2-1: Point Arena Main Street Historic Commercial District



Source: Hill 2022.

Figure 2-2: City of Point Arena Boundary and Sphere of Influence



2.2 Government Structure

2.2.1 Governing Body

The City of Point Arena City Council serves as the City’s legislative body and is responsible for adopting ordinances and resolutions, establishing City policy, approving and amending the annual budget, and appointing advisory committees. The City is governed by a five-member City Council elected at-large to serve staggered four-year terms. Councilmembers must be residents of, and registered voters within, the City.

City council elections are held in November of even numbered years, with the next regular upcoming election scheduled for November 2026. All the current council members have served multiple consecutive terms, which can be a significant benefit in establishing long-standing positive working relationships in the community, understanding the history and unique aspects of the organization, and maintaining institutional knowledge. The city council does not currently have any vacancies, and two seats are set to expire in 2026.

To be elected to the city council, candidates must be residents within the City boundaries. The mayor receives a stipend of \$100 per month; council members receive a stipend of \$75 per month. Staff support for the city council includes the city manager and city attorney. The city manager is the administrative officer for the City and reports to the city council.

The current council members, positions, and terms are shown below in Table 2-2.

| Table 2-2: City of Point Arena City Council | | | | |
|--|-----------------|------------------------------|-----------------------------------|-----------------------------------|
| Name | Position | First Year of Service | Term Expiration (November) | Serving Consecutive Terms? |
| Barbara Burkey | Mayor | 2016 | 2026 | Yes |
| Dan Doyle | Vice-Mayor | 2023 | 2028 | Yes |
| Anna Dobbins | Council Member | 2016 | 2026 | Yes |
| Jim Koogle | Council Member | 2022 | 2028 | Yes |
| Jeff Hansen | Council Member | 2022 | 2028 | Yes |

Source: City of Point Arena 2025a.

The City of Point Arena demonstrated accountability through its disclosure of information and cooperation with LAFCo requests for information.

2.2.1.1 STANDING COMMITTEES

Advisory committees support the City Council in carrying out various functions of local government. Current committees include the Arena Cove Advisory Committee, the Parks Committee, and the Finance Committee. These committees are composed of City Councilmembers and community volunteers, conduct business within their assigned scope, and provide recommendations to the City Council. All committee members are appointed by the City Council.

In addition to its legislative role, the City Council also serves as the Planning Commission and councilmembers serve on ad hoc committees as assigned.

Since 1989, the City Council has acted as the City’s planning commission (City Resolution 6-89).⁶ The 2015 MSR recommended that the City consider establishment of a separate Planning Commission to enhance public participation, provide an additional level or project review and formalize an appeal process independent of the City Council. However, the City reports it has proven difficult to find eligible candidates to fill the positions; the City Council continues to serve as the Planning Commission.

2.2.2 Public Meetings

Regularly scheduled City Council meetings are held in-person on the third Tuesday of each month at 6:00 p.m. at City Hall, located at 451 School Street, Point Arena. The City utilizes a “hybrid” format for public meetings to increase opportunities for residents to participate either remotely or in person.

In accordance with the Brown Act, all City Council meetings are open to the public and are publicly posted a minimum of 72 hours prior to regular meetings, or a minimum of 24 hours prior to special meetings. The City posts public documents including city council agendas and minutes at City Hall, the post office, the library, and a downtown kiosk. Additionally, agendas are sent to all City staff and contractors, elected officials, press and other interested parties. City Hall office hours are 9:00 a.m. to 3:00 p.m. Monday through Wednesday.

The City’s website contains current and past City Council meeting agendas, agenda packets, minutes, and adopted budgets.

2.2.3 Public Outreach

The City of Point Arena maintains a [website](#)⁷ that serves as a primary communication tool to enhance public access, transparency, and accountability. The website provides direct access to City Council agenda and minutes, the municipal code, forms, and contact information for City staff. The site also links to media releases, community events, and the City’s social media platforms. A search function and navigation menu allows users to locate department information and download documents related to City services and operations.

Public information is also provided through regularly scheduled public meetings and workshops. The City’s website includes access to upcoming and archived meeting agendas, minutes, resolutions and ordinances. The site also incorporates accessibility tools intended to support compliance with the Americans with Disabilities Act (ADA) and provides Spanish language translation functionality to improve accessibility for Spanish-speaking users.

In addition to website communications, the City maintains a digital mailing list that residents may subscribe to in order to receive updates, and a [Facebook](#)⁸ social media account that is used to share information regarding public meetings, community events, projects, and job postings.

Additional community information is provided through the Point Arena Merchant’s Association (PAMA), a nonprofit organization that promotes the local business community and regional attractions. The

⁶ City of Point Arena City Council Resolution No. 6-89: <https://ecode360.com/PO4990>.

⁷ The official website for the City of Point Arena can be found here: <https://pointarena.ca.gov/>.

⁸ The official Facebook page for the City of Point Arena can be accessed here: [City of Point Arena | Point Arena CA | Facebook](#).

association maintains a [website](#)⁹ that provides information on local businesses, community events, and visitor resources, and serves as an additional channel for sharing information about activities occurring within the community.

2.2.4 Complaints

The public may file complaints with the city manager and may provide verbal comments or complaints in person at City Hall during business hours, Monday through Wednesday from 9:00 a.m. to 3:00 p.m., or at City Council meeting during the public comment period.

2.2.5 Transparency and Accountability

The City of Point Arena City Council serves as the City’s primary legislative and oversight body and plays a central role in ensuring transparent, accountable and effective governance. The City maintains mechanisms that support transparency, including publicly noticed meetings, adoption of policies and resolutions in open session, availability of agenda and minutes, and an official City website that provides access to key documents, contact information, and public communications.

The City maintains its *Personnel Rules & Regulations* code which was adopted in February 2026, and address ethics, civility, and conflict of interest, pursuant to the requirements of [GC §87300 and the following \(et seq.\)](#).¹⁰ In accordance with Assembly Bill (AB) 1234, when a local agency provides compensation or reimbursement of expenses to local government officials, those officials are required to receive two hours of training on public service ethics laws and principles at least once every two years. The City also maintains the required written reimbursement policy consistent with [GC §53235](#).¹¹ The code applies to elected officials as well as executive employees and contract positions.

The Political Reform Act also requires persons who hold office to disclose their investments, interests in real property, and incomes by filing a Statement of Economic Interests (Fair Political Practices Commission Form 700) each year pursuant to [GC §87203](#).¹² City staff report their councilmembers and executive staff and contractors are current on their required Form 700 filing obligations.

At the administrative level, the City has established procedures for budgeting, performance tracking, and regulatory reporting, which provide the City Council with tools to monitor operations and financial condition. The annual budget process, in particular, offers an opportunity for the City Council to review prior-year performance, set policy priorities, and establish goals and objectives for the upcoming fiscal year.

A brief list of educational resources regarding open government laws (Appendix A – Open Government Resources) and a California local government website compliance checklist (Appendix B – Website Compliance Handout) are provided as informational resources.

⁹ The official website for the Point Arena Merchant’s Association can be found here: [Point Arena Merchants Association – A Natural Point of View](#).

¹⁰ GC §587300 et seq. (2011) can be found here: [California Code, GOV 587300 et seq.](#)

¹¹ GC §53235 (2025) can be found here: [California Code, GOV 53235](#).

¹² GC 87203 (1974) can be found here: [California Code, GOV 87203](#).

2.3 Operational Structure

2.3.1 Management and Staffing

The City operates under the Council-Manager form of government. The City Council establishes policy direction and appoints City Manager to oversee the day-to-day administration of municipal operations and implement Council priorities and programs. The City Council also appoints the City Attorney. All City departments report to the City Manager, who is responsible for coordinating and administering City services.

The City is organized into five primary departments: General Administration and Contract Services, Harbor and Pier, Public Works, Recycling, and Wastewater. Figure 2-3 presents the City’s organization structure and identifies the responsibilities associated with each department. The City operates with a small workforce consisting primarily of part-time employees totaling approximately 5.0 full-time equivalent (FTE) positions (Table 2-3).

| Department | FTE |
|--|------------|
| General Administration and Contract Services | 1.5 |
| Wastewater | 1.5 |
| Harbor and Pier | 1.0 |
| Public Works (Streets/Roads and Parks) | 1.0 |
| Total | 5.0 |

In addition to staff resources, the City occasionally utilizes volunteers for limited tasks such as sidewalk maintenance and litter removal, including work-release individuals performing community service (LAFCo 2025).

Given the City’s small staffing level, maintaining service continuity can present challenges when employees are on leave or positions are vacant, as limited redundancy exists across operational and administrative functions.

2.3.1.1 CONTRACT STAFFING

Due to its small size and limited staffing levels, the City relies on contractual agreements with outside professionals and service providers to support municipal operations and deliver services. Contract staffing allows the City to access specialized expertise while maintaining a lean organizational structure.

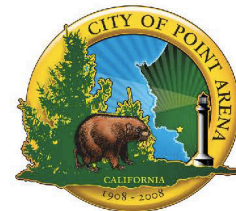
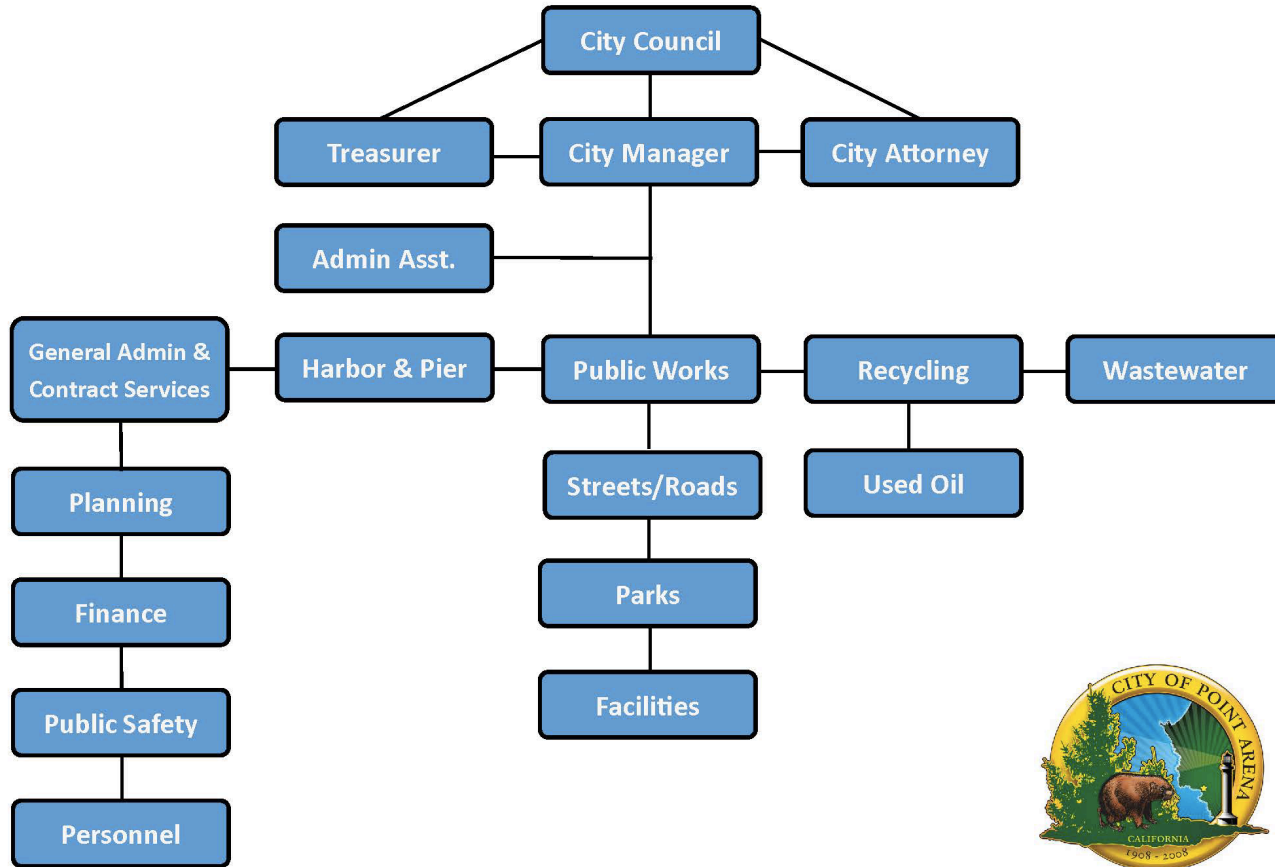
The City currently fills several professional positions through contractual arrangements, including City Attorney, City Engineer, City Planner, Accountant, and Bookkeeper (Table 2-4) (LAFCo 2025). These contracted roles provide technical, legal, financial, and planning services necessary for the City’s operations. Contract agreements are periodically reviewed by the City to determine whether services should be continued, modified, or rebid.

| Table 2-4: City of Point Arena Contract Staff, 2026 | |
|--|-------------------------|
| Department | Name |
| City Attorney | Law Firm of Jones-Mayer |
| City Engineer | Aaron Brusator |
| City Planner | Marie Jones |
| Accountant | Esmeralda Sanchez |
| Bookkeeper | Cynthia Hood |

In addition to professional services, the City coordinates with a range of public agencies and private entities and organizations to deliver municipal services. These arrangements allow the City to provide essential services through shared resources, interagency cooperation, and service contracts where direct provision by City staff is not feasible. See Section 2.3.4 for more information.

Figure 2-3: City of Point Arena Organization Chart

City of Point Arena Organizational Chart



Source: City of Point Arena 2025c.

2.3.2 Agency Performance

Monitoring agency performance includes routine evaluation of staff productivity, organizational effectiveness, and financial management practices. Well-managed public agencies typically implement procedures such as regular employee evaluations, tracking staff and organization productivity, preparation of annual budgets, annual financial audits, maintenance of current financial records, and planning for future service and capital needs.

The City of Point Arena conducts several activities intended to monitor organization performance and maintain administrative accountability. All City employees submit detailed timesheets documenting work by job task, which are reviewed and approved by the City Manager and recorded in the City's bookkeeping system by the contract accountant. In consultation with the City Council, the City Manager monitors employee workload and makes adjustment as necessary to support operational needs (LAFCo 2025).

Employee performance is evaluated annually on each employee's anniversary date. The City Manager conducts evaluations using a standardized evaluation form and established procedures. The City does not currently utilize benchmarking metrics or other formal performance measurement tools to evaluate agency-wide productivity.

2.3.2.1 CHALLENGES

The City faces several operational challenges common to small jurisdictions with limited staffing and financial capacity. Organizationally, the City operates with a very small municipal workforce and relies on a combination of internal staff and contracted professional services to carry out a number of administrative and technical functions, including planning, engineering, accounting, legal services, and building inspection. While this operational model allows the City to maintain necessary functions and manage costs, limited staffing capacity can constrain the City's ability to address long-term planning needs, implement capital projects, and respond to emerging service demands.

Financial conditions also affect organization capacity. Rising costs for risk management insurance and employee healthcare premiums continue to place pressure on the City's operating budget and influence staffing and operational decisions. In recent fiscal years, the City implemented reductions in staffing levels and operational expenditures in response to broader financial challenges, which has further affected internal capacity for program administration and infrastructure management.

Infrastructure-related challenges also affect service delivery and staff workload. Inflow and infiltration (I&I) within the City's wastewater system has historically increased treatment system demand during wet weather events. City staff report that recent upgrades to the wastewater system have helped reduce these impacts, and the City continues to pursue and implement grant funding to support additional improvements (LAFCo 2025). More information is provided in Chapter 3.

2.3.2.2 STRATEGIC OR SUCCESSION PLANNING

Long-range planning in the City is guided through its General Plan and related planning documents. The City's General Plan was originally adopted in January 1995 (Resolution 02-95) and serves as a comprehensive framework for environmental preservation, economic development, land use, public safety, and infrastructure planning. The plan was designed to guide development and community goals over an approximately 50-year planning horizon. The General Plan also includes provisions requiring reassessment when the City reaches 50 percent of projected buildout or after 50 years, whichever occurs first.

The General Plan was updated in August 2001 (Resolution 2001-15) to serve as the policy foundation for the City’s Local Coastal Program (LCP), which is required under the California Coastal Act due to the City’s location in the coastal zone. The LCP must ultimately be certified by the California Coastal Commission (CCC) and any amendments to the General Plan must also be reflected in the LCP.

The LCP was certified in June 2006 (Resolution 2006-1) and incorporated the 2001 General Plan with the exception of the Housing Element and zoning ordinance. The City’s Housing Element, prepared in a format consistent with requirements of the California Department of Housing and Community Development (HCD) was most recently updated in October 2019 (Resolution 2019-24) for the 6th Housing Cycle (2019-2027).

In December of 2020, the City approved amendments to the General Plan, LCP, and zoning code (Resolution No. 2020-33) to incorporate policies related to accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) in response to evolving State housing law. The City subsequently received grant funding from HCD to support additional updates to planning documents necessary to comply with State requirements and Housing Element policies.

Between 2022 and 2024, the City conducted approximately 12 workshops, study sessions, and public hearings to develop and consider updates to the General Plan and LCP. The update process included a sea level rise study and associated environmental review required by the CCC to support the LCP amendment. The updated planning documents were ultimately adopted in April 2024 (Resolution 2024-06).

The goals and policies identified in the General Plan and Housing Element guide the City’s decision-making and inform long-term community priorities. During the annual budget process, the City Council reviews and refines City priorities and establishes departmental objectives that align with the policy direction established in these planning documents.

2.3.3 Regional and Service-Specific Collaboration

The City participates in regional and service-specific associations and organizations including the Mendocino Council of Governments (MCOG), Mendocino Transit Authority (MTA), and the California Intergovernmental Risk Authority (CIRA), which is a JPA that provides risk-sharing and insurance coverage for cities, towns, and other public agencies across California (LAFCo 2025).

2.3.4 Shared Service Delivery

2.3.4.1 ADJACENT PROVIDERS

Unincorporated lands adjacent to Point Arena are governed by the County of Mendocino and feature a variety of special districts and service providers, as shown in Table 2-5 below.

| Table 2-5: Adjacent or Nearby Service Providers | | |
|--|---|----------------------------------|
| District or Service Provider | Services | Proximity to Point Arena* |
| Gualala Community Services District | Wastewater | 18 miles south |
| Anderson Valley Community Services District | Fire protection, airport access, street lighting, and recreation services | 30 miles east |
| Elk Community Services District | Fire, EMS, Ambulance & Rescue Services | 19 miles north |

Table 2-5: Adjacent or Nearby Service Providers

| District or Service Provider | Services | Proximity to Point Arena* |
|---|--|----------------------------------|
| Redwood Coast Fire Protection District | Fire | Overlaps with City |
| South Coast Fire Protection District | Fire | 14 miles south |
| North Sonoma Coast Fire Protection District | Fire | 19 miles south |
| Mendocino Coast Health Care District | Healthcare services | 21 miles northeast |
| Coast Life Support District | Healthcare and emergency response services | Overlaps with City |
| Mendocino Coast Recreation and Park District | Park and recreational programming | Overlaps with City |
| Mendocino County Resource Conservation District | Resource conservation | Overlaps with City |
| Mendocino County Waterworks District #2 | Water | 11 miles south |
| Irish Beach Water District | Water | 11 miles north |
| Anderson Valley Cemetery District | Cemetery maintenance | 22 miles east |
| *Note: The City of Point Arena does not jointly own any facilities or equipment with the adjacent or nearby service providers listed above. | | |

Source: California Special Districts Association (CSDA) 2025.

Several single-service special districts provide services that overlap the City’s boundaries, including the Redwood Coast Fire Protection District, Coast Life Support District (CLSD), Mendocino Coast Recreation and Park District (MCRPD) and Mendocino County Resource Conservation District (MCRCD). These agencies provide specialized services such as fire protection, emergency medical response, recreation programming, and natural resource conservation to the broader region, including areas within and adjacent to the City.

The City also maintains a relationship with the Mendocino County Library, which operates the Coast Community Library branch located on Main Street within the City.

Educational services in the area are provided through a “Common District” structure that is relatively unusual in California. The system includes the Arena Union Elementary School District and the Point Arena Joint Union High School District, which operate under a shared governance and administrative structure. Schools within the system include Point Arena High School (a New Tech Network school), Pacific Community Charter School, South Coast Continuation High School, an independent study program, a K-8 after-school program, and a State Preschool program, all supported by a common district office, superintendent, board of trustees, and budget (Point Arena Schools 2025).

2.3.4.2 SHARED FACILITIES AND SERVICES

The City does not jointly own any facilities with other agencies or organizations. However, the City owns the Veterans Memorial Building which houses City Hall and its administrative offices. The City maintains a lease agreement with Coastal Seniors, a nonprofit organization, for use of the Veterans Memorial Building. The lease agreement was renewed in early 2026.

With respect to shared services, the City collaborates with a combination of public agencies and private service providers to support service delivery within its jurisdiction. These arrangements include contracted services and interagency coordination that allow the City to provide municipal services despite

its limited staffing and financial resources. Additional information regarding these service providers is provided in Chapter 3.

2.3.4.3 DUPLICATION OF SERVICES

No other agencies provide municipal services comparable to those delivered by the City within its jurisdictional boundaries, save the County of Mendocino. City staff did not identify any duplication of services, nor were additional opportunities for shared services or facilities identified beyond those currently in place.

2.3.4.4 INTERAGENCY COLLABORATION

The City of Point Arena works cooperatively with other public agencies and private service providers to deliver municipal services efficiently and to address issues of shared regional interest. Through a combination of service contracts, cooperative agreements, and mutual aids, the City is able to supplement its limited staffing capacity and ensure continuity of services for residents.

The City relies on several contracted service providers for municipal services. These include services for law enforcement, fire protection and emergency response, water, building and inspection, and solid waste (Table 2-6). In addition, the City works with the California Department of Transportation (Caltrans) for maintenance of Main Street and School Street, a portion of State Highway 1 within City limits, to help maintain its designation as a historic landmark (LAFCo 2025). The City maintains it under an agreement with Caltrans.

| Table 2-6: City of Point Arena Interagency Collaborations | |
|--|--|
| Agency/Entity | Service |
| Mendocino County Sheriff | Law enforcement and public safety |
| Redwood Coast Fire Protection District | Fire protection and emergency response |
| Mendocino County Planning and Building Services | Building and inspection |
| Mendocino County Public Works | Road maintenance |
| Caltrans | Main Street (Highway 1) road maintenance |
| Point Arena Water Works, Inc. | Water |
| Redwood Waste Solutions | Solid waste |

Beyond contracted services, the City participates in several interagency agreements that support regional coordination and emergency response. In October 2021, the City entered into a mutual aid agreement with the other incorporated cities in Mendocino County to provide assistance during emergencies or disasters that exceed the resources of any individual jurisdiction (Resolution 2021-27). The agreement remains in effect through 2027.

In August 2022, the City expanded its regional collaboration through a mutual aid agreement for emergency assistance with the other Mendocino County cities as well as the Lake County cities of Clearlake and Lakeport ([Resolution 2022-28](#)). The agreement supports coordinated response to a range of natural and human-caused hazards, including earthquakes, wildfires, pandemics, and drought, and is in effect through 2028.

The City also participates in a master tax-sharing agreement adopted in July 2024 between the incorporated cities of Mendocino County and the County of Mendocino (Resolution 2024-20). The

agreement provides a framework for property tax exchange associated with future jurisdictional changes, such as annexations, and is intended to support orderly and financially sustainable transitions of public service responsibilities.

Additional coordination occurs through mutual aid agreements with the County of Mendocino Department of Transportation, primarily focused on disaster response and infrastructure support. City staff have also indicated that the City is exploring opportunities to expand collaboration with the County, including potential shared use of the County's corporation yard located in Point Arena (LAFCo 2025).

While this MSR provides context regarding contracted and cooperative service arrangements, the analysis focuses on services that are directly the responsibility of the City.

2.3.5 Government Restructure and Community Needs

2.3.5.1 ENHANCED SERVICE AND DELIVERY OPTIONS

Water service within the City of Point Arena is provided by Point Arena Water Works inc., a privately owned mutual water company that serves the City and nearby surrounding areas. As a result, potable water and fire hydrant services are delivered independently of the City's municipal operations.

2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructuring options may be considered when there is potential to improve service delivery through reduced costs, greater operational efficiency, improved accountability, or enhanced public representation. Restructuring may include changes in governance, consolidation of services, or adjustments to agency responsibilities where such changes would benefit the public.

The service boundaries of the City and PAWW, a privately owned water company, generally coincide. As a result, there may be a potential opportunity to evaluate alternative governance or service delivery arrangements for water service in the future, including the possibility of transitioning water service to a municipal utility. Such an arrangement could allow the City to integrate water services with its existing municipal functions and potentially provide greater local control, coordination of infrastructure planning, and alignment with community planning objectives.

However, any consideration of restructuring water service would require careful evaluation of financial feasibility, infrastructure ownership and condition, regulatory requirements, and the interest of existing owners, stakeholders, and customers. At this time, no formal proposals for restructuring have been identified, and water service continues to be provided by PAWW under its existing regulatory framework.

2.4 Finances

Evaluation of an agency's financial condition is an important component of an MSR. Financial capacity influences an agency's ability to maintain infrastructure, provide services at adequate levels, response to emergencies, and meet future community needs. This section evaluates the fiscal condition of the City of Point Arena by reviewing available financial statements, audit reports, budget information, and communications with staff.

The City of Point Arena is a small coastal municipality in southern Mendocino County with a limited population and tax base. Based on its size and geographic isolation, the City relies on a combination of locally generated taxes, user fees, and intergovernmental revenues to fund municipal services. The City's

fiscal capacity is influenced by seasonal tourism, limited commercial development, and the relatively small permanent population within city limits.

The Point Arena City Council adopts annual budgets for the General Fund, Capital Project Fund, and various special revenue funds. Budgetary control is legally maintained at the fund level. The City Manager, with input from department heads, prepares the preliminary annual budget and revenue protections for the upcoming fiscal year. The proposed budget may be amended by the City Council and is adopted by resolution on or before June 30 in accordance with the City's municipal code (Joseph Arch, CPA 2024, pg. iv). The budget process also includes a mid-year review to assess revenues, expenditures, and any necessary adjustments.

In addition to the annual budget process, the City maintains financial oversight through independent annual audits of its financial statements. These audits are conducted in accordance with auditing standards generally accepted in the United States.

For financial reporting purposes, the City's activities are categorized as either Governmental Activities or Business-Type Activities, as reflected in the Statement of Net Position and the Statement of Activities.

- Governmental Activities. These include the City's core municipal services such as general governmental, community development, public safety, public works, public improvements, planning and engineering, and administrative functions. These services are primarily supported by general revenues, including taxes, as well as program revenues such as fees and service charges.
- Business-Type Activities. These include the City's enterprise operations, which are intended to be self-supporting through user fees. For the City of Point Arena, enterprise funds include the Wastewater Fund and the Pier Fund, both of which are funded primarily through charges paid by users rather than general tax revenues.

2.4.1 Current Fiscal Health

The City of Point Arena has experienced increasing financial challenges in recent years, with fiscal pressures peaking during fiscal years (FY) 2023-24 and 2024-25. Approximately six years ago, the City initiated a series of efforts to address aging infrastructure and advance several community planning priorities. During this period, City staff successfully secured numerous state and federal grants to fund projects including a wastewater system study, street rehabilitation, a feasibility study for improvements to the Veterans Building, a sea-level rise study, and updates to the City's Local Coastal Program to support housing development. Collectively, these grant-funded initiatives totaled more than \$4.5 million.

While these projects brought significant investment to the community, many of them were implemented concurrently, creating administrative and financial strain on the City's limited staffing and financial capacity. Reimbursements for grant-funded activities lagged behind City expenditures, which reduced available fund balances and contributed to an overall deficit in FY 2022-23. In addition, some projects

experienced cost overruns that exceeded grant allocations, resulting in unanticipated financial obligations for the City.^{13, 14}

Compounding these challenges, the City did not maintain a capital reserve or other financing mechanism to support the cash flow demands associated with multiple concurrent capital projects. To address the short-term cash-flow needs, the City established a temporary line of credit to cover cash deficits, but given the project cost overruns, there was no option to pay back the liabilities charged to the line of credit. As a result, approximately \$300,000 on the line of credit could not be repaid. Continued cost overruns and project expenditures resulted in operating fund expenditures outpacing revenues.¹²

In 2023, the City Council was advised by its financial advisor that the City faced a significant financial risk. In response, the City implemented a series of corrective measures to stabilize its financial condition. These actions included reducing payroll costs by approximately 50 percent through the elimination of 3 staff positions and a reduction in operational staffing levels. Remaining staff hours were reduced from 32 hours (previously considered full-time) to 25 hours per week. The City also retained an Interim City Manager under a reduced-cost arrangement that included a lower hourly rate, no benefits, and reduced hours. In addition, the City implemented substantial reductions in discretionary expenditures.¹²

Despite these cost-containment measures, the City's financial advisor reported in April 2024 that the City remained at risk of insolvency. The City subsequently initiated additional long-term fiscal stabilization strategies. These measures included voter approval of a local sales tax increase and the implementation of a 15 percent indirect administrative cost allocation applied to grants and other programs. Additional actions under consideration or implementation include adjustments to service fees, debt restructuring, and improvements to governmental accounting and financial management practices.¹²

The City adopted an interim FY 2025-26 budget that continues to address the City's financial condition while implementing additional revenue measures. Planned actions include adjustments to sewer and pier fees, the introduction of new event-related fees, restructuring of the business license tax, and potential restructuring or increases to the transient occupancy tax. City staff and the City Council have undertaken significant cost-saving measures and operational adjustments in an effort to stabilize municipal finances and maintain core services. Early indications of stabilization include the recent addition of a part-time code enforcement officer and continued progress on the Windy Hollow Road Rehabilitation design project.¹⁵

2.4.1.1 FINANCIAL SUMMARY

The financial information presented below is based on the City's most recent available audited financial statements, which are current through FY 2023-24. Table 2-7 summarizes the Statement of Activities over the four years ending June 30, 2024.

¹³ FY 2024-25 Final Budget, August 23, 2024: <https://drive.google.com/file/d/1-4cUy7R3cJBYA2dc6q0Lle7StdiSizK/view>.

¹⁴ Chavan and Associates LLP, Certified Public Accountants, March 22, 2024: <https://drive.google.com/file/d/1GsTjAjWTBXRMHNu26dWQq17F1qgfBk5v/view>.

¹⁵ FY 2025-26 Interim Budget, June 24, 2025: <https://drive.google.com/file/d/1dw7fWlb-UVUfmKyx6f3W1loPtHieDcXS/view>.

| Table 2-7: Financial Summary of Activities | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | FY 20-21 (\$) | FY 21-22 (\$) | FY 22-23 (\$) | FY 23-24 (\$) |
| Program Revenues | | | | |
| Charges For Services | 25,984 | 11,473 | 7,004 | 13,991 |
| Wastewater | 277,417 | 279,601 | 283,138 | 273,309 |
| Pier | 68,096 | 36,612 | 58,909 | 47,119 |
| Grants and Contributions - Operating | 216,727 | 414,192 | 524,510 | 580,846 |
| Grants and Contributions - Capital | - | 2,929,660 | 785,579 | 624,057 |
| General Revenues | | | | |
| Property Taxes and Assessments | 52,916 | 85,260 | 61,499 | 59,862 |
| Motor Vehicle In-Lieu Tax | - | - | 24,331 | 29,903 |
| Sales and Use Tax | 79,220 | 71,700 | 163,967 | 139,611 |
| Transient Occupancy Taxes | 135,186 | 203,211 | 157,635 | 101,405 |
| VLF Swap | 44,821 | 44,819 | 23,859 | 25,714 |
| TOT Measure AC | 27,037 | 30,043 | 31,527 | - |
| Other Taxes | 47,589 | 509 | 2,106 | 368 |
| Franchises | 10,748 | 11,088 | 6,425 | 18,762 |
| Licenses, Permits, & Fees | - | 22,908 | 23,819 | 13,991 |
| Use Of Money and Property | 10,787 | 5,167 | 18,881 | 17,860 |
| Other General Revenues | 4,420 | 6,320 | - | 60,872 |
| Total revenues (Governmental and Business-Type Activities) | 1,00,948 | 4,152,563 | 2,173,189 | 1,053,335 |
| Expenses – Governmental Activities | | | | |
| General government | 331,423 | 395,002 | 449,657 | 484,660 |
| Public Safety | 100,785 | 113,602 | 180,994 | 132,049 |
| Streets and Public Works | 108,116 | 989,516 | 329,266 | 62,925 |
| Community Development | 39,065 | 221,698 | 505,506 | 186,939 |
| Culture and Recreation | 49,049 | 87,227 | 132,072 | 114,924 |
| Debt Service - interest & fees | - | 6,570 | 37,888 | 26,798 |
| Capital Outlay | - | - | - | 27,681 |
| Expenses – Business-Type Activities | | | | |
| Wastewater | 323,983 | 391,410 | 492,335 | 365,782 |
| Pier | 104,605 | 188,769 | 345,693 | 164,427 |
| Total Expenses | 1,175,887 | 2,395,415 | 2,473,411 | 1,756,546 |
| Excess (Deficiency) of Revenues Over Expenditures (Before Transfers) | (174,939) | 1,757,148 | (300,222) | (703,211) |
| Change in Net Position | (174,939) | 1,757,148 | (300,222) | (364,267) |
| Net Position | | | | |
| Beginning of Year | 4,397,809 | 4,222,870 | 5,980,018 | 5,679,796 |
| End of Year | 4,222,870 | 5,980,018 | 5,679,796 | 5,315,529 |

Sources: Chavan and Associates, LLP 2022, pgs. 5, 8 and 11; Joseph Arch, CPA 2023, pgs. 8 and 20; Joseph Arch, CPA 2024, pgs. 8; Chavan and Associates, LLP 2024, pg. 5; and 35, Chavan and Associates, LLP 2025, pgs. 6, 8, 9, and 12.

2.4.1.1.1 Revenue

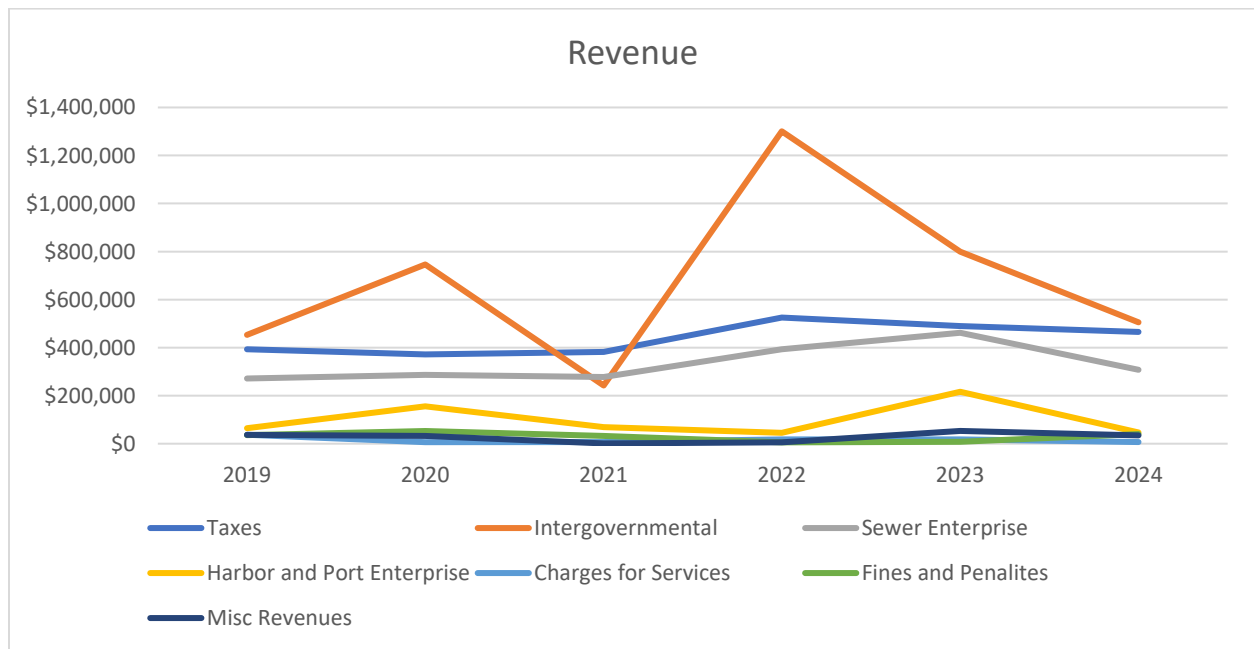
The City’s revenues are generally generated from three primary sources, which make up approximately 85 percent of the overall revenue:

1. Charges for services
2. Operating Grants and Contributions
3. Capital Grants and Contributions

The City relies heavily on tourism-related revenue, including transient occupancy tax (TOT) and sales tax, and intergovernmental funding sources, consisting primarily of state and federal grants.

General revenue has remained relatively stable over the past five years, with infusions of state and federal grant funding (intergovernmental funds) for capital and infrastructure improvements.

Figure 2-4: Revenue by Category



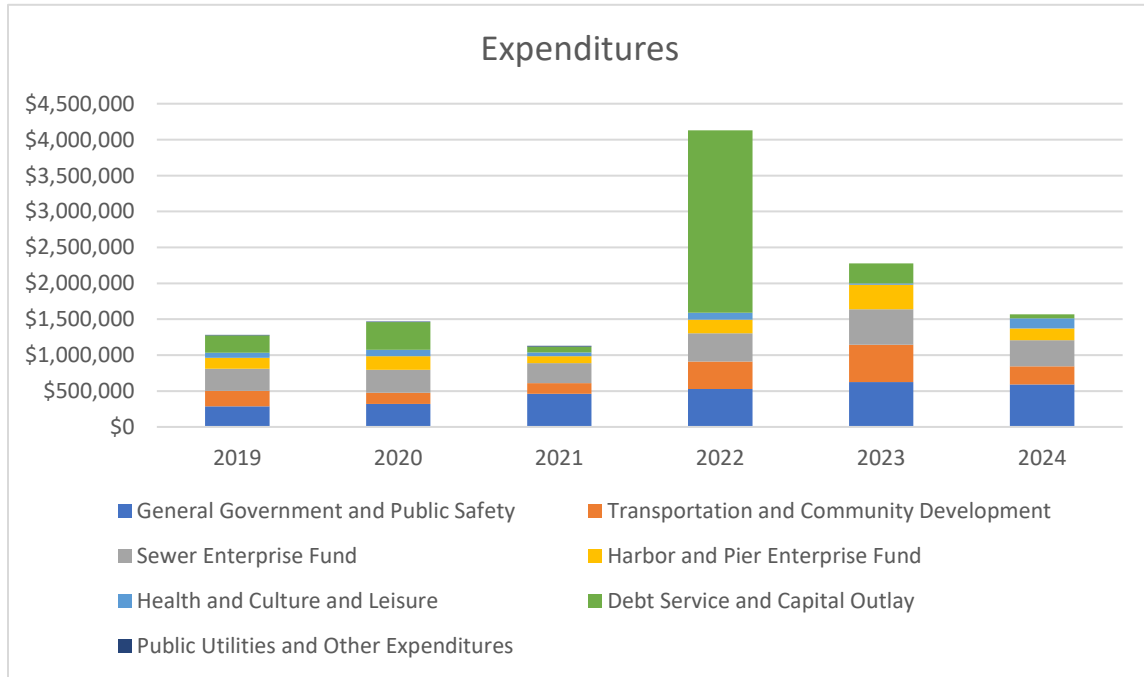
In FY 2024-25, a 0.875 percent sales tax increase was introduced as Measure X. The Measure received voter approval in November 2024 and was adopted by the City Council on December 10, 2024 ([Ordinance 244](#)).¹⁶ The sales tax is projected to generate approximately \$110,000 annually. (City of Point Arena 2025)

2.4.1.1.2 Expenses

Governmental and business-type activities expenses of the City totaled \$1,756,546 in FY 2023-24. Governmental activities expenses represented approximately 59 percent of total expenses. Streets and public works services costs, which include planning and community development costs, represented 51 percent (\$834,772) of total governmental activities expenses, which was a 61 percent increase from FY 2022 (Joseph Arch, CPA 2024, pg. 7).

¹⁶ City of Point Arena Ordinance 244 implemented Measure X, a 0.875 percent retail transactions and use tax: [Ordinance 244](#).

Figure 2-5: Expenditures by Category

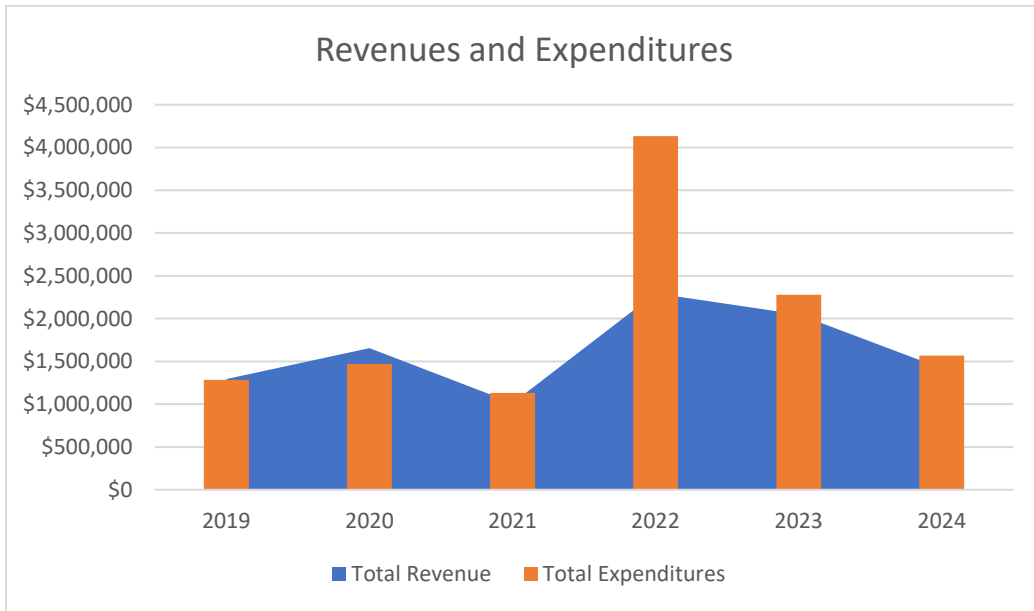


Community development expenses included grants from the Housing and HCD sponsored Small Business Employee Retention Grant Program in the amount of \$86,500, with planning and engineering costs accounting for \$171,131; the highest unreimbursed costs for the City. Even though planning fees, which should be full cost recovery, were only \$17,800 for the year (Joseph Arch, CPA 2024, pg. 7).

Public safety expense increases were commensurate with revenue collected and the County sheriff contract increase (Joseph Arch, CPA 2024, pg. 7).

Expenditures totaled \$1,568,209 in FY 2023-2024, \$2,277,709 in FY 2022-2023, \$4,132,243 in FY 2021-2022, and \$1,131,728 in FY 2020-21. The top expenditures included maintenance/repairs, dues and fees, and the sewer activities.

Figure 2-6: Revenues and Expenditures, FYE 2021 - 2024



2.4.1.2 ASSETS AND LIABILITIES

The capital assets of the City are those assets which are used in the performance of the City’s functions. As of June 30, 2024, net investment in capital assets of the governmental activities totaled \$4,196,652 and for business-type activities, \$1,215,855 (Chavan and Associates, LLP 2025, pg. 5).

Land and building values are listed at cost when purchased or renovated by the City. Depreciation is taken on buildings and improvements, machinery and equipment, and infrastructure and pier. The largest asset for the City is infrastructure for which depreciation costs have been accounted for under assets.

Table 2-8 and Table 2-9 summarize the City’s assets for governmental and business-type activities, including its cash accounts and infrastructure.

| Table 2-8: Point Arena Assets, Governmental Activities | | | | |
|--|------------------|------------------|------------------|------------------|
| | FY 20-21 (\$) | FY 21-22 (\$) | FY 22-23 (\$) | FY 23-24 (\$) |
| Current Assets | | | | |
| Cash and Investments | 521,741 | 225,657 | 99,948 | 206,708 |
| Accounts Receivable | 403,152 | - | - | 8,860 |
| Intergovernmental Receivable | N/A* | 1,161,529 | 91,018 | 490,151 |
| Taxes Receivable | N/A* | 62,061 | 158,629 | N/A* |
| Notes Receivable | 72,705 | 90,582 | 72,894 | 56,481 |
| Internal Balances | 110,544 | 265,409 | 345,913 | N/A* |
| Prepaid Items and Deposits | N/A | N/A | 12,109 | N/A* |
| Total Current Assets | 1,108,142 | 1,805,238 | 780,511 | 762,200 |
| Noncurrent Assets – Capital Assets | | | | |
| Nondepreciable | 451,933 | 1,953,531 | 348,995 | 348,995 |
| Depreciable | 2,293,144 | 2,495,362 | 4,038,018 | 3,847,657 |
| Total Noncurrent Assets | 2,745,077 | 4,448,893 | 4,387,013 | 4,196,652 |
| Total Assets | 3,853,219 | 6,254,131 | 5,167,524 | 4,958,852 |
| Current Liabilities | | | | |
| Accounts Payable | 9,620 | 432,160 | 78,511 | 40,397 |
| Accrued Payroll and Benefits | 10,445 | 11,431 | 12,144 | 31,101 |
| Line of Credit | N/A* | 754,740 | 310,540 | 310,440 |
| Deposits Payable | N/A* | 551 | N/A* | N/A* |
| Unearned Revenue | N/A* | - | - | N/A* |
| Total Liabilities | 20,065 | 1,198,882 | 401,195 | 381,938 |
| Net Position | | | | |
| Net Investment in Capital Assets | 2,745,077 | 4,448,893 | 4,387,013 | 4,196,652 |
| Restricted Net Position (Total) | 514,703 | N/A | N/A | 400,685 |
| Unrestricted (Deficit) | 573,334 | 606,356 | 379,316 | (20,423) |
| Total Net Position | 3,833,154 | 5,055,249 | 4,766,329 | 4,576,914 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | N/A* | 6,254,131 | 5,167,524 | N/A* |

**Note: Line items labeled "N/A" were not included in the financial audit report for that given year due to standard variations in fiscal reporting from year to year.*

Sources: Chavan and Associates, LLP 2022, pg. 4; Chavan and Associates, LLP 2023, pg. 6; Joseph Arch, CPA 2024, pg. 6; Joseph Arch, CPA 2024, pg. 6; and Chavan and Associates, LLP 2025, pg. 5.

| Table 2-9: Point Arena Assets, Business-Type Activities | | | | |
|--|-----------------|------------------|------------------|------------------|
| | FY 20-21 (\$) | FY 21-22 (\$) | FY 22-23 (\$) | FY 23-24 (\$) |
| Current Assets | | | | |
| Cash and Investments | 60,626 | 123,987 | - | - |
| Accounts Receivable | - | 2,445 | 44,263 | 26,580 |
| Intergovernmental Receivable | N/A* | 17,371 | 17,844 | N/A* |
| Taxes Receivable | N/A* | - | - | N/A* |
| Notes Receivable | - | - | - | - |
| Internal Balances | (110,544) | (265,409) | (345,913) | (490,151) |
| Prepaid Items and Deposits | N/A* | N/A | - | - |
| Total Current Assets | (49,918) | (121,606) | (283,806) | (463,571) |
| Noncurrent Assets – Capital Assets | | | | |
| Nondepreciable | 340,614 | 340,792 | 298,190 | 298,190 |
| Depreciable | 109,295 | 744,283 | 971,006 | 917,665 |
| Total Noncurrent Assets | 449,909 | 1,085,075 | 1,269,196 | 1,215,855 |
| Total Assets | 399,991 | 963,469 | 985,390 | 752,284 |
| Current Liabilities | | | | |
| Accounts Payable | 10,275 | 33,364 | 63,066 | 13,669 |
| Accrued Payroll and Benefits | - | 4,424 | 8,557 | - |
| Line of Credit | N/A* | - | - | - |
| Deposits Payable | N/A* | - | N/A* | N/A* |
| Unearned Revenue | N/A | 912 | 300 | - |
| Total Liabilities | 10,275 | 38,700 | 71,923 | 13,669 |
| Net Position | | | | |
| Net Investment in Capital Assets | 449,909 | 4,448,893 | 1,269,196 | 1,215,855 |
| Total Restricted Net Position | - | N/A | N/A | - |
| Unrestricted (Deficit) | (60,193) | 606,356 | (355,729) | (477,240) |
| Total Net Position | 389,716 | 5,055,249 | 913,467 | 738,615 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | N/A* | 6,254,131 | 985,390 | N/A* |
| <i>*Note: Line items labeled "N/A" were not included in the financial audit report for that given year due to standard variations in fiscal reporting from year to year.</i> | | | | |

Sources: Chavan and Associates, LLP 2022, pg. 4; Chavan and Associates, LLP 2023, pg. 6; Joseph Arch, CPA 2024, pg. 6; Joseph Arch, CPA 2024, pg. 6; and Chavan and Associates, LLP 2025, pg. 5.

2.4.1.3 NET POSITION

As of June 30, 2024, the ending net position of the City is \$5,315,529 (Chavan and Associates, LLP 2025, pg. 6). The total assets (\$5,711,136) of the City exceeded its liabilities (\$395,607).

As of June 30, 2024, the City’s Governmental Activities reported a combined net position of \$4,576,914 of unrestricted funds.

The City remains net positive through relying on temporary credit and cash reserves that the City maintains (see Table 2-8 and Table 2-9).

2.4.2 Long Term Financial Considerations

The City of Point Arena operates with a constrained revenue base and continues to face fiscal challenges associated with limited locally generated revenues, relatively high service delivery costs, enterprise operations that do not fully recover expenses, and the ongoing financial demands of maintaining municipal infrastructure.

Although the City maintains valuable public assets and actively pursues external funding sources, the FY 2023-24 audit indicates that its financial condition warrants continued monitoring and implementation of corrective actions to support long-term fiscal stability.

In response, the City has taken steps to manage expenditures, including implementing cost-containment measures and seeking grant funding to support capital and program needs. Continued attention to fiscal management, revenue enhancement, and long-term financial planning will be important to maintaining service levels and meeting future community needs.

2.4.2.1 RESERVES

With the continued financial struggle, the City's operating cash reserves have been reduced to nominal levels and management has used the temporary line of credit for cash deficits (C&ALLP 2024).

The City does not maintain any formal policies related to reserves.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

In April 2023, the City entered into a line of credit agreement with Redwood Credit Union in an amount not to exceed \$1,500,000 to provide bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit is to be paid upon receipt of California State grant reimbursements specific to the projects. It bears interest at the prime rate plus 1 percent on outstanding balances. As of June 30, 2024, the outstanding balance was \$310,440 (Chavan and Associates, LLP 2025, pg. 31).

In 2024, the City converted its line of credit through Redwood Credit Union to a 5-year note payable, subject to cash flow conditions. Upon conversion, the remaining balance would be reclassified as long-term (Joseph Arch, CPA 2023, pg. 14). The City intends to repay it in full within the five-year period.

As of June 30, 2023, the City reported no additional construction commitments. To address cash flow constraints, the City implemented cost-containment measures, including reductions in staffing levels and hours, and is evaluating restructuring of its financing approach to maintain access to short-term operating liquidity. The City has also explored opportunities to dedicate future revenue streams, such as rental income from City-owned property, toward debt repayment as its broader financial stabilization strategy.

Through its participation in CIRA, the City maintains coverage for workers' compensation and employer liability, as well as general liability, property damage, personal injury, and public officials' errors and omissions.

2.4.2.3 RATE RESTRUCTURING

The City's current wastewater rate structure was adopted in August 2016. The City has indicated that a comprehensive rate study is anticipated in 2026 to evaluate the existing rates and identify potential adjustments to support ongoing operations, maintenance, and capital needs.

Proposition 218, approved by California voters in November 1996, establishes procedural and substantive requirements governing the imposition of taxes, assessments, and property-related fees. The measure is intended to promote transparency and accountability in local government finance and to ensure that revenues derived from property-related charges are used solely to fund the services for which they are collected.

Under Proposition 218, local agencies must demonstrate that property-related fees do not exceed the proportional cost of providing the service to each parcel. This requirement necessitates a defensible cost-of-service analysis as part of any rate-setting process and may result in differentiated rate structures based on service demand, location, or system characteristics. (O'Malley 1996).

Accordingly, the planned rate study will be an important step in evaluating the financial sustainability of the City's wastewater enterprise and ensuring compliance with applicable legal requirements.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The Capital Projects Fund was established in 2022 to provide a dedicated mechanism for tracking capital projects funded by grants, capital contributions, and financing sources. The Fund accounts for all expenditures associated with capital projects that are either adopted in the annual budget or approved through subsequent budget adjustments. The intent of the Fund is to operate on a project basis, with balances reduced to near zero at the completion of projects, to the extent possible.

In its early years of operation, the Fund has reflected a deficit position due to timing mismatch between project expenditures and reimbursement-based grant revenues. Specifically, construction activity has outpaced grant reimbursements, resulting in short-term financing needs supported by a line of credit.

The City maintains a Capital Improvement Plan (CIP) covering the planning horizon of FY 2020 through FY 2026, which was most recently updated in April of 2026. The CIP identifies planning infrastructure and capital projects and serves as a key planning and budgeting tool (refer to Figure 2-7 for a summary of current CIP projects).

A substantial portion of CIP projects is funded through competitive grant programs. While this funding strategy enables the City to undertake capital improvements that would otherwise be financially infeasible, it has also contributed to cash flow constraints due to delays between project expenditures and reimbursement of grant funds (see Section 2.4.2.2). In addition, earlier grant budgets did not consistently include sufficient administrative cost recovery, although this issue has since been addressed through amendments to grant agreements.

As of June 30, 2024, the Capital Project Fund reported a deficit fund balance of approximately \$432,000, which is anticipated to be offset by future grant reimbursements (Chavan and Associates, LLP 2025, pg. 7).

Figure 2-7: Point Arena Capital Improvement Projects

| 2025-2026 Fiscal Year City of Point Arena Streets & Roads | | | | |
|--|--|--|---|--|
| Capital Improvement Program 2020-2026 Budget Years (Revised 6/25/2024) | | | | |
| Construction Year | Project Location | Project Description | Funding | Estimated Cost |
| FY 20-21 FY 21-22 | Riverside Drive & Center Street Renovation | Completion of Riverside Dr. renovation with 1000 sq. ft. of dig outs, base replacement, asphalt fill followed with a 2"x 420' by 25' AC overlay. (Approximate). Center Street - Construct a 330' concrete drainage swale, Roadbed Reconstruction and AC throughout. | RMRA, RSTP(d1), LPPF | Estimated Construction Cost including Construction Management: \$312,000 |
| FY 20-21 FY 21-22 | East End of Mill Street Reconstruction, Sidewalk, Drainage and Asphalt Replacement | Remove the eastern 500 feet of the roadway, regrade to an even cross slope correcting northside drainage. Install subsurface drainage on south side of the street. Replace approx. 450 feet of sidewalk on south side. Bring the Northside sidewalks into a more typical residential sidewalk/roadway height ratio and replace where needed. Repave Roadway. <i>Consider cul-de-sac development as a new project.</i> | RMRA, RSTP, LPPC, MCOG Partners Fund, CRSSA | Estimated Construction Cost including Construction Management: \$1,358,640 |
| FY 25-26 | Windy Hollow Road | Rehab or Rebuild .6 miles of Roadway within the City limits. Project A: grind out failed sections, recompact, replace asphalt and seal. Project B: Full reconstruction of the existing roadway and paved areas. Project C: Project B plus one bike lane (permitting may run higher). | RMRA, LPPF, STBG | Estimated Construction Cost w/ Constr. Mgmt. \$750,000 |
| FY 26-27 | Port Road Rehab, Main St. to Iversen. Sidewalk Replacement & Additions, Drainage Improvements and Resurface Street | From Main St. west on northside of Port Rd., replace 280' of sidewalk (ADA). From Iversen to Main construct 425' of sidewalk on southside. From Iversen toward Main remove 12,600 sq.' of asphalt, regrade and pave, including subsurface drainage improvements. Past the Arena Cove/Road Rd Cutoff on Port Rd. install 140' of ADA sidewalk down to barrier, past barrier path a 6' multi-use path to bike lane on Iversen. | LPPF, ATP, RMRA, STBGP, | Estimated Project Costs: Design, Specifications, Construction & Construction Management, \$620,000 |
| FY 25-26 | Sidewalk Repair, Replacement and New Sidewalk Program. | Sidewalks will be prioritized for replacement or addition. <i>Some sidewalk improvements may be included in other streets projects . A sidewalk construction program partnering with property owners may be needed.</i> | RMRA, RSTP (d1), ATP, LPPF, grants | TBD |
| * The order in which these projects are developed may be altered based on the availability of funding. | | | | |
| PAPT = Point Arena Pothole Tax LPPF(C) = SB 1 Local Partnership Program Formulaic (Competitive) TBD = To Be Determined LTF = Local Transportation Fund ATP=Active Transportation Program RMRA = Road Maintenance & Repair Act SB 1 RSTP (d1) = Regional Surface Transportation Program STBGP = Surface Transportation Block Grant Program | | | | |

Source: City of Point Arena 2026.

2.5 Growth

2.5.1 Area History

Since the mid-19th century, the City of Point Arena has been a key navigational landmark along the Northern California coast. In 1866, the construction of the town's first wharf established Point Arena as a regional shipping and transportation hub. At the height of its early development, the surrounding area produced approximately 200,000 board feet of redwood lumber per day, and the port served as a primary shipping point for timber and agricultural products along the Mendocino coast (City of Point Arena 2025b).

Point Arena was incorporated in 1908, following a local debate regarding alcohol sales within the community. At the time, Point Arena held several liquor licenses, and incorporation enabled local control over alcohol regulation while allowing the community to retain a greater share of associated tax revenues (City of Point Arena 2025b).

In 1927, a major fire destroyed much of the downtown area. Reconstruction in the late 1920s coincided with broader economic changes in the region as lumber milling and ranching activity declined and tourism began to grow. Businesses that had served the earlier industrial economy, such as worker hotels, blacksmith shops, and saloons, were gradually replaced by establishments serving travelers and visitors, including service stations and entertainment venues. Much of the downtown commercial district was rebuilt between 1927 and 1928, contributing to the historic architectural character that remains visible today (City of Point Arena 2025b).

Natural events have also shaped the City's waterfront facilities. In January 1983, a severe coastal storm struck Arena Cove, destroying the pier and fish house and significantly damaging other waterfront structures. A replacement pier constructed of steel and concrete was completed in 1987. The 322-foot pier, equipped with a boat hoist, continues to serve as a key community and visitor facility (City of Point Arena 2025b).

Due to its historic significance, both the Main Street Historic District (90001364) and the Arena Cove Historic District (90001363) are listed on the National Register of Historic Places. An additional 13 buildings, primarily located along or near Main Street, are also individually listed. The City's zoning ordinance includes provisions intended to support the preservation of historic resources and maintain the character of these historic districts (National Park Service 2025; CSDA 2025).

2.5.2 Present and Planned Land Use and Development

2.5.2.1 LAND USE AND ZONING

The City of Point Arena has land use authority over privately-owned lands within its jurisdiction and makes land use decisions in accordance with the City's General Plan and zoning regulations. Because the City is located within the Coastal Zone, development and land use activities are also subject to the City's Local Coastal Program (LCP), which has been certified by the California Coastal Commission. Proposed changes to land use or development patterns must therefore be consistent with both the City's planning documents and the policies of the LCP (City of Point Arena 2025c).

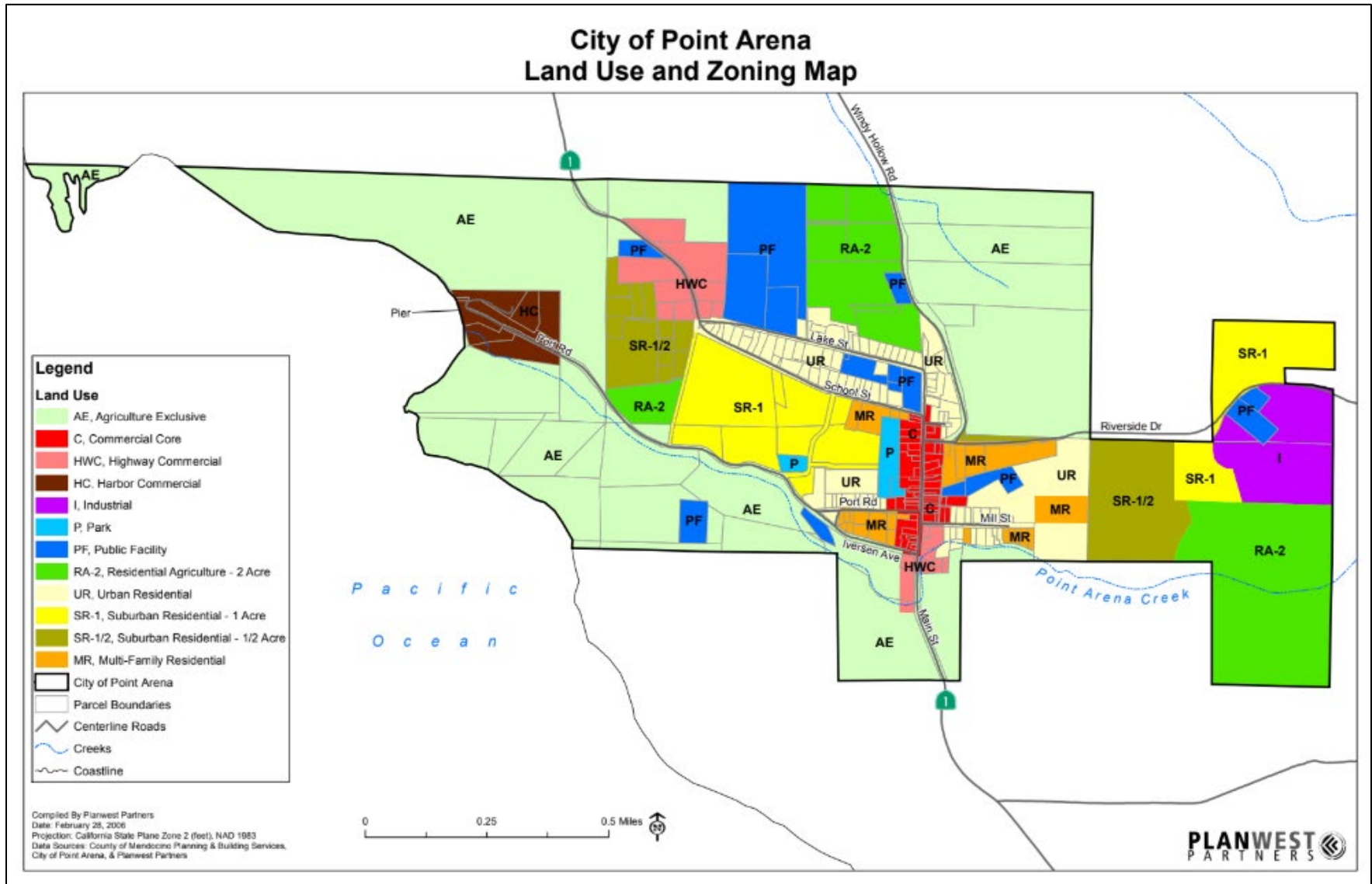
The City encompasses approximately 1.35 square miles (864 acres). Land use within the City is predominately residential use and is distributed throughout the community. Residential zoning designations include Suburban Residential (SR-1 and SR-½) with minimum lot sizes of 1 and ½ acres, Urban Residential (UR) with a minimum lot size of; 8,625 square feet lot minimum), and Agricultural (RA-2; 2-

acre minimum), with very small areas of Multi-Family Residential (MR; 5,800 square feet lot minimum) concentrated in the middle of the City. There are three commercial zoning designations; Highway Commercial (HWC) and Commercial Core (CC) along the Main Street corridor, while Harbor Commercial (HC) use is in the vicinity of Arena Cove and the municipal pier. Agriculture Exclusive (AE) zoning generally occurs along the edges of the City. Additional zoning designations include Public Facilities (PF), Parks (P), and a small number of Industrial (I) parcels (see Figure 2-8).

Due to the City's relatively small population and compact development pattern, many services and amenities are located within walking distance of residential neighborhoods. The local economy is largely oriented towards tourism and coastal recreation, with commercial establishments concentrated along State Route 1 and near the harbor. Community amenities include a public library operated by the Mendocino County Library, medical and dental services provided through Redwood Coast Medical Services, the Arena Theater for cinema and live performances, and other small businesses and community services. The City is also near the headquarters for the tribal lands of the Manchester Band of Pomo Indians of the Manchester-Point Arena Rancheria and adjacent to the Point Arena-Stornetta Public Lands.

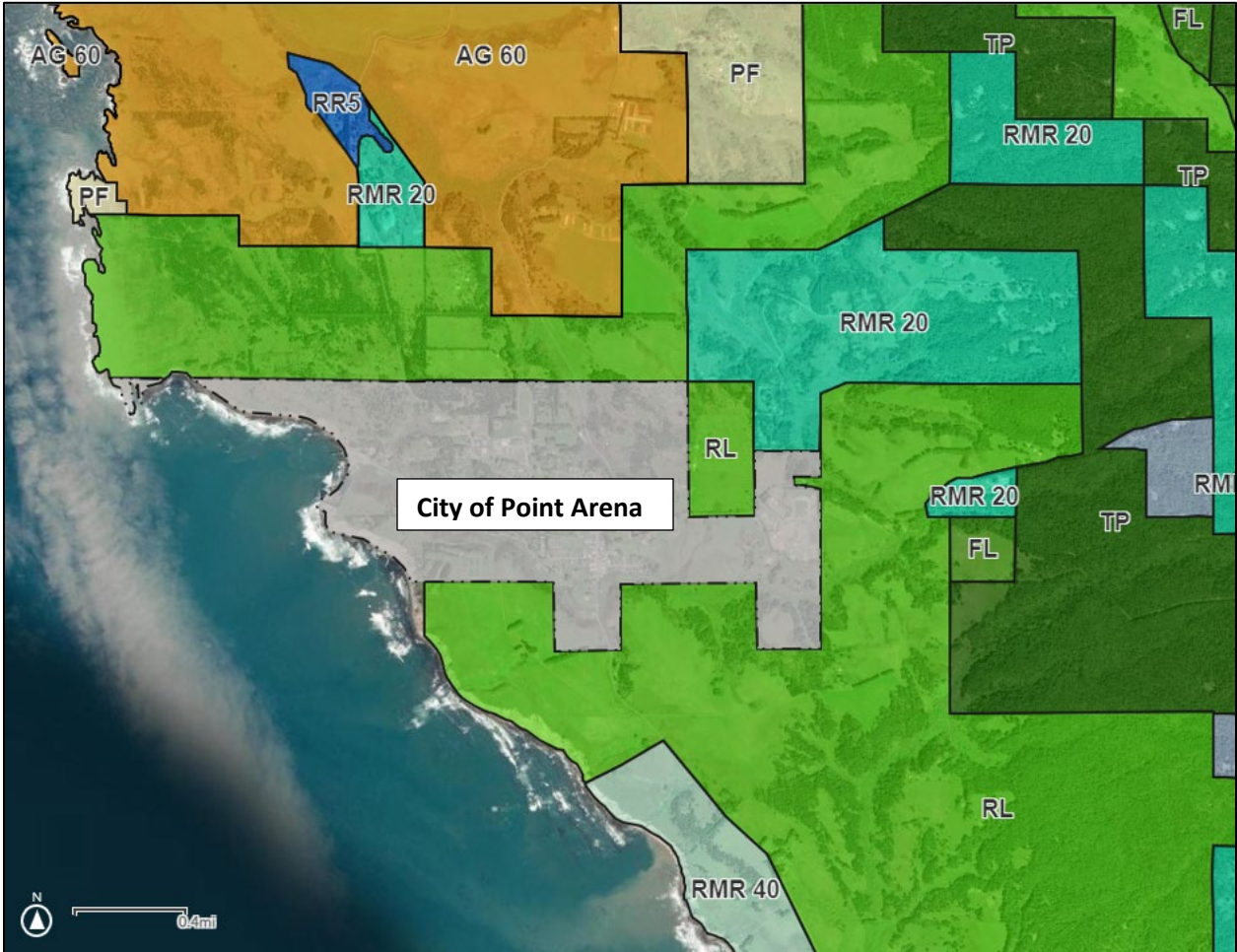
The City is surrounded by unincorporated areas of the County of Mendocino. Land uses adjacent to the City boundaries consist primarily of rural residential and agriculture areas. County zoning designations in the surrounding area include Rural Residential (RMR) with minimum parcel sizes of 5 and 20 acres, Agriculture (AG) with a 60-acre minimum, Timber Production (TP) and Rangeland (RL) with minimum parcel sizes of 160 acres, and limited areas designated for Public and Semi-Public Facilities (PF). The surrounding landscape includes coastal bluffs and rugged shoreline to the west, as well as dispersed single-family residences, including vacation home rentals, throughout the area (see Figure 2-9) (County of Mendocino 2025b).

Figure 2-8: Point Arena Zoning Map



Source: City of Point Arena 2025f.

Figure 2-9: Mendocino County Zoning Map



Source: County of Mendocino 2025b.

2.5.2.2 DEVELOPMENT

Future growth and development within the City of Point Arena are guided by the City's adopted planning framework, including the General Plan and Zoning Ordinance. Because the City is located within the coastal zone, development proposals are also subject to the City's LCP. While the coastal development permit process can add review requirements and project costs, the City's LCP and Coastal Element do not substantially constrain residential development to the point that it becomes impractical or infeasible.

Regional housing planning for the area is coordinated with the Mendocino Council of Governments (MCOG), which prepares the Regional Housing Needs Allocation (RHNA) plan. State law requires that local governments plan for their "fair share" of projected regional housing growth. The current RHNA cycle, adopted August 20, 2018, projected the need for 1,845 housing units to be constructed across Mendocino County for the 2019-2027 planning period. Due to the City's small population and limited geographic area, Point Arena received a RHNA allocation of nine housing units, representing less than one percent of the regional allocation (MCOG 2018, pg. 12). However, the City has indicated that its RHNA allocation is slated to increase to 35 housing units under the current process.

Consistent with State housing law, the City maintains a Housing Element that demonstrates the availability of land suitable to accommodate its RHNA allocation. The City's Housing Element was most recently updated in 2019 for the 2019-2027 housing cycle. While the analysis identified sufficient vacant land capacity substantially exceeds the City's RHNA requirements with a potential for a total of 282 residential units possible within the City limits, maximum zoning capacity does not necessarily reflect realistic development potential, particularly in areas such as the Commercial Core and Harbor Commercial zones where residential development is not the primary intended use.

In addition, the City owns a parcel within the HWC zoning district, where mixed-use and residential projects have precedent. One example is the Cypress Meadows development, proposed on approximately 2.7 acres across two parcels, which includes plans for six dwelling units on one parcel and two dwelling units on the second parcel. The project remains in the future planning phase.

Future development potential within the City also includes land added through the Hay Annexation, approved in 1990, which incorporated approximately 156 acres of previously undeveloped land into the City's jurisdiction. The annexation significantly expanded the City's residential land base and included a phased development framework approved by the Coastal Commission. Phase I of the annexation area includes 13 acres zoned UR, 3 acres of land zoned MR, and 20 acres of land zoned SR-1. As of the most recent Housing Element update in 2019, no development projects had occurred within this annexed area (Planwest Partners Inc. 2019).

Since preparation of the 2015 MSR, the City has also acquired several additional parcels. Two parcels located at Arena Cove and zoned for park uses were purchased in 2019. Another parcel located across from City Hall was acquired in 2020 and is being considered for potential future housing development (LAFCo 2025).¹⁷

¹⁷ City Resolution No. 2020-24 *Purchase Agreement for Real Property* can be accessed here: [2020-24 Property Purchase.pdf - Google Drive](#).

2.5.3 Existing Population and Projected Growth

Point Arena has historically remained one of the smallest incorporated cities in California. According to the 2020 decennial census, the City had a population of approximately 460 residents and 225 households (US Census Bureau 2023c).

Over the past two decades, the City’s population has remained relatively stable, generally hovering around 450 residents. The population experienced a slight decline between 2000 and 2010, reaching 449 residents, followed by a modest increase to 472 residents by 2017. The California Department of Finance (DOF) provides annual population estimates, including estimates for the past five years, which are summarized in Table 2-10.

Table 2-10: Point Arena DOF Population Estimates

| Year | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------|------|------|------|------|------|------|
| Population | 460 | 460 | 452 | 447 | 445 | 452 |

Source: DOF 2024.

Population projections prepared by the DOF indicate that the population of Mendocino County is expected to decline modestly over the next two decades. DOF estimates the County’s population will decrease by 2.7 percent, from 91,601 residents in 2023 to 89,091 in 2033, and remain relatively stable at 89,139 by 2043 (DOF 2023). These projections suggest that significant residential buildout within the City is unlikely to occur within the planning horizon of this MSR.

Additional analysis conducted as part of the City’s recent Housing Element update evaluated the capacity of local utilities to accommodate potential future growth. The analysis concluded that existing water and wastewater infrastructure is generally sufficient to support development of currently available residential parcels, an amount that substantially exceeds the City’s RHNA allocation of nine additional housing units (Planwest Partners Inc. 2019).

Water service within the City is provided by Point Arena Water Works Inc. (PAWW), a privately owned company that owns and operates the treatment facility, storage infrastructure, and most of the distribution system serving the City. A 2004 Water System Master Plan and Feasibility Analysis identified concerns related to storage capacity and fire-flow limitations. Currently, PAWW serves approximately 191 customers. The Housing Element noted that discussions with the company indicated the system may be capable of serving up to 676 total water connections, allowing for approximately 487 additional connections beyond current service levels. While this capacity may not fully support the theoretical buildout of all parcels within the City, it exceeds both the City’s RHNA allocation and the level of growth historically experienced in the area. It should also be noted that not all zoning districts are expected to rely on the PAWW system; larger parcels in the Agriculture Exclusive (AE) and Suburban Residential–1 Acre (SR-1) zoning districts allow for private well water service (Planwest Partners Inc. 2019).

Wastewater service is provided through the City’s sanitation system. According to the Point Arena Sanitation Department, the wastewater treatment system currently operates at approximately 27 percent of its total capacity, a level that has remained relatively consistent over the past several decades (Planwest Partners Inc. 2019).

Based on these demographic trends and available infrastructure capacity, the City anticipates minimal population growth within both the near-term (approximately five years) and long-term (approximately 20 years) planning horizons.

2.5.4 California Housing Goals

In 2017, the State of California enacted SB 299 and SB 1069 to help address the growing shortage of affordable housing. These laws expanded opportunities for the development of accessory dwelling units (ADUs) within areas zoned for single-family and multifamily residential uses. An ADU is a secondary dwelling unit located on the same parcel as a primary residence and may either be attached to or detached from the primary structure. ADUs must include independent living facilities, including permanent provisions for entry, living, sleeping, eating, cooking, and sanitation, as well as access to adequate water services.

As codified by [GC §65852.150](#),¹⁸ the California Legislature has determined that allowing ADUs in residential zones can expand rental housing opportunities and represents an important strategy for addressing statewide housing needs. Since the initial legislation was adopted, state ADU law has been amended multiple times to further reduce barriers to construction and encourage additional housing production.

Subsequent legislation has introduced provisions such as standardized development criteria, streamlined permit processing, and limitations on local impact fees. Implementation of these laws requires local jurisdictions to update zoning ordinances, evaluate potential ADU development capacity when addressing RHNA requirements in Housing Element updates, and adopt programs that encourage or incentivize ADUs as a form of affordable housing.

As the state of California continues to adopt legislation intended to increase housing supply, local jurisdictions must remain responsible for evolving regulatory requirements. Changes in housing policy may influence future development patterns and can have implications for municipal service providers responsible for infrastructure, utilities, and community services.

For additional information and data on housing legislation see Appendix C – Housing Legislation Trends and Results.

2.6 Disadvantaged Unincorporated Communities

SB 244, effective January 2012, requires LAFCo to identify and evaluate disadvantaged unincorporated communities (DUCs) when preparing MSRs for agencies providing water, wastewater, or structural fire protection services. A DUC is defined as an unincorporated area with at least 12 registered voters and a median household income (MHI) that is less than 80 percent of the statewide MHI. Severely disadvantaged unincorporated communities (SDUCs) are those with an MHI below 60 percent of the statewide MHI.

¹⁸ GC 65852.150 (2023) can be found here: [California Government Code § 65852.150 \(2023\) :: 2023 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

According to the American Community Survey (ACS) 2024 1-Year Estimates, California's statewide MHI was \$100,149, resulting in a DUC threshold of \$80,119 and an SDUC threshold of \$60,089 (US Census Bureau 2026c).

While DUCs are evaluated to address a range of issues related to environmental justice, land use planning, and service provision, the sole statutory income criterion is MHI. Publicly available MHI data is reported at the census block group level, which in rural counties such as Mendocino County often encompasses large geographic areas that may include both incorporated and unincorporated territories and do not align with recognized community boundaries. As a result, identifying and mapping DUCs in rural areas can be complex and subject to change over time due to fluctuations in income data and voter registration.

SB 244 further identifies general DUC characteristics, including:

- The presence of 10 or more dwelling units in close proximity;
- Location within a city's Sphere of Influence, as an island within a city boundary, or as a geographically isolated community existing for more than 50 years; and
- An MHI at or below 80 percent of the statewide MHI.

This analysis utilizes income data from the ACS 2020–2024 5-Year Estimates and the 2024 ACS 1-Year Estimates, consistent with California Association of Local Agency Formation Commission (CALAFCO) recommendations for determining MHI thresholds. This analysis also considers the geographic parameters of Census Tract 111.2.¹⁹ Based on 2024 ACS data for 2020-2024 5-Year Estimates, the area surrounding the City is located within Census Tract 111.02, which has a MHI of \$114,044. Therefore, it would not be considered a DUC under SB 244 requirements (US Census Bureau 2026a). Although census tracts are considered a smaller geographical area than counties, it is important to consider that census tracts are geographically expansive, and that Census Tract 111.02 encompasses multiple communities within unincorporated Mendocino County, including Anchor Bay and Manchester, a census designated place (CDP).

According to the 2024 5-Year ACS data, the unincorporated community of Manchester (CDP) located approximately 2.5 miles north of the City consists of 96 households with an MHI of \$61,154 (US Census Bureau 2026b); the MHI of Manchester would meet the DUC threshold.

The legislation is intended to ensure that the service needs of disadvantaged communities are considered in decisions related to service extensions, reorganizations, and annexations.

Because Point Arena is an incorporated city, this disadvantaged community (DAC) analysis relies on the California Department of Water Resources (DWR) Disadvantaged Community and Economically Disadvantaged Area Mapping Tool.²⁰ The latest data that is available for the tool is the 2023 ACS 5-dataset (2019-2023). According to the 2023 ACS 5-Year dataset, Point Arena was not identified as a DAC or economically disadvantaged area on the map.

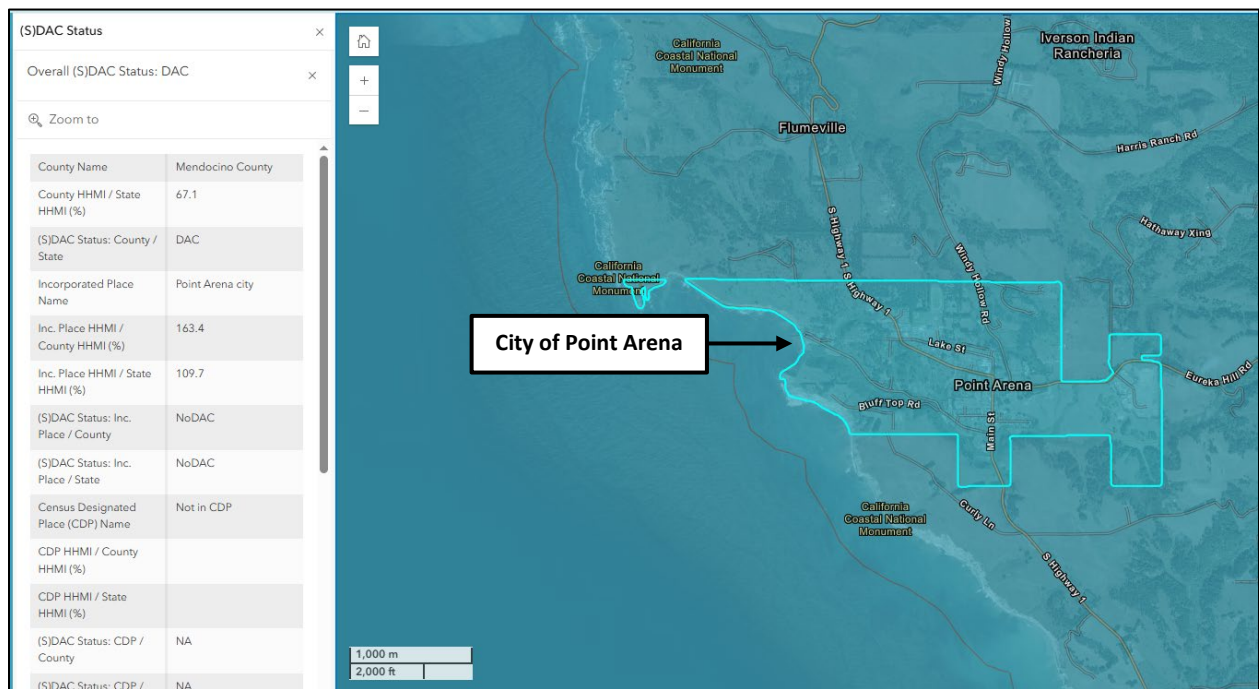
¹⁹ Census tracts are small, permanent geographic areas within counties that are delineated by a committee of local data users and normally designed to study demographics and population data of 2,500 to 8,000 residents (US Census 2013).

²⁰ The California Department of Water Resources Disadvantaged Community and Economically Disadvantaged Area Mapping Tool can be accessed via DWR's website: [Disadvantaged Community and Economically Disadvantaged Area Mapping Tool](#).

However, the Climate Bond (Prop 4), passed by California voters in 2024, redefines and expands the definition of a DAC and a severely disadvantaged community (SDAC) to include underserved communities within predominantly wealthy areas with MHIs above the 80 percent statewide threshold. Under the bond ([California Public Resources Code \[PRC\] §90100](#)),²¹ a DAC is “a community with a MHI of less than 80 percent of the *area average* or less than 80 percent of the statewide MHI.” An SDAC is “a community with a MHI of less than 60 percent of the *area average* or less than 60 percent of statewide MHI.” Therefore, even if the MHI is above the statewide threshold, if the area average is less than 80 percent of the MHI, the community will be considered a DAC.

According to analysis from the California Natural Resources Agency’s Climate Bond (Prop 4) (S)DAC map, City of Point Arena and surrounding area qualify to meet a DAC status (California Nature Conservancy 2026).²² The online map utilizes data from ACS 2019-2023 5-Year estimates.

Figure 2-10: California Natural Resources Agency – (S)DAC Communities Map



Source: California Natural Resources Agency 2026.

One nearby unincorporated community that warrants acknowledgement in the context of DUC analysis is the community of Manchester, located approximately 2.5 miles north of the City of Point Arena along State Route 1. Manchester is a small coastal settlement that includes residential areas and agricultural lands.

The unincorporated community of Manchester also includes lands associated with the Manchester-Point Arena Band of Pomo Indians, a federally recognized tribe with ancestral ties to the coastal region. Tribal

²¹ PRC §90100 (2025) can be found here: [California Code, PRC 90100](#).

²² The California Natural Resource Agency’s Climate Bond (Proposition 4) (S)DAC map can be found here: [Climate Bond \(Proposition 4\) \(S\)DAC Status](#).

lands and governance structures operate independently of municipal and county jurisdictions and are not subject to LAFCo authority. However, the presence of the tribal community contributes to the social and economic fabric of the broader Point Arena coastal area.

Manchester functions as a rural coastal community with dispersed development patterns typical of the Mendocino Coast. While the area has been identified as a DUC based on MHI levels, it does not rely on the City for municipal utility services. Water, wastewater, and other infrastructure services within the Manchester area are provided through independent systems, private utilities, or other regional service providers.

Although Manchester maintains social and economic connections to the City as the nearest commercial center for goods, services, and community activities, the community is geographically separate and outside the City's municipal service boundary. As such, Manchester is not considered a DUC requiring evaluation for municipal service extension by the City as part of this MSR.

Pursuant to [GC §65302.10\(b\)](#),²³ SB 244 requires cities to address DUCs within their General Plan Land Use Element in coordination with Housing Element updates. To comply, cities must identify, describe, and map each island and fringe community within their SOI that qualifies as a DUC; analyze water, wastewater, stormwater drainage, and structural fire protection needs or deficiencies; and evaluate potential funding mechanisms to support feasible service extensions.

Only one of the three core municipal services, wastewater service, is provided directly by the City of Point Arena. As discussed in Chapter 3, the City's wastewater treatment plant currently operates with adequate capacity to serve existing demand.

Other essential services are provided by external entities. Fire protection and emergency response are by the Redwood Coast Fire Protection District, which serves residents within the City and surrounding areas. Water service is provided by PAWW and is generally considered adequate for current service needs. In addition, data from DWR indicates that the City spans several Public Land Survey Sections that collectively include approximately 91 domestic wells (DWR 2025).

Overall, City residents receive the essential municipal services of fire protection, water, and wastewater, and services levels are generally adequate. Continued investment in the City's wastewater infrastructure, however, will be important to address aging facilities and maintain reliable service over time.

²³ GC §65302.10(b) (2023) can be found here: <https://codes.findlaw.com/ca/government-code/gov-sect-65302-10/>.

3 MUNICIPAL SERVICES

3.1 Service Overview

A Municipal Service Review (MSR) is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. The MSR determinations inform the SOI Update process and assist the Commission in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapters 2 and 3 of this document form the basis for the MSR determinations provided under Section 3.9.

This is the second MSR prepared for the City of Point Arena (City/Point Arena). The first City MSR was completed and adopted by the Commission on February 2, 2015.

3.1.1 Services

One of the core responsibilities of a City is to ensure provision of public facilities and services to its residents. Public facilities and services contribute to the quality of life for both individuals and groups in the community. A key consideration in the MSR process is planning adequate public facilities, services, and infrastructure to accommodate future growth and changes.

This section provides information regarding the municipal services provided directly by the City of Point Arena, which include the following as defined by city department:

- General Administrative Services (General Government)
- Public Works (Street Maintenance, Stormwater, Parks & Facilities)
- Harbor & Pier Operations
- Wastewater

Additional municipal services are provided to City residents through a combination of public and private provider via agreements and service contracts as detailed in below in this section. These municipal services include the following:

- Community Development
- Law Enforcement
- Fire Protection and Emergency Services
- Solid Waste Services
- Utilities (Water)

As previously stated, the purpose of this MSR is to provide a summary of all the services offered by the City, including those that are provided via agreements and contracts. However, full analysis is only provided of those services provided directly by the City.

3.1.2 Service Area

The service area of the City of Point Arena encompasses approximately 1.35 square miles (864 acres) and serves a resident population of approximately 460. Seasonal tourism also contributes to periodic increases in the population present within the City. Visitor activity is particularly notable during summer events such as the Fireworks Extravaganza and Street Fair in July and the Fish Fest in September, which draw additional visitors to the community.

3.1.3 Outside Agency Services

The City does not provide any direct municipal services outside its jurisdictional boundary.

An exception is the Point Arena Pier, which extends over state tidelands and is owned and operated by the City under an agreement with the State Land Commission. Although the facility is managed by the City, it serves a regional user base that extends well beyond the City's boundaries.

The Pier provides ocean access for a small fleet of commercial fishing vessels, sport fishing operators, and recreational anglers. In addition to supporting commercial and recreational fishing activity, the Pier functions as a visitor destination and vantage point for observing the Pacific coastline, attracting visitors from across the region and beyond.

During preparation of this MSR, no requests were identified for the City to extend municipal services beyond its existing boundary.

3.2 General Administrative Services (General Government)

3.2.1 Staffing

Administrative functions for the City of Point Arena are conducted at City Hall, located at 451 School Street within the Veteran's Memorial Building. The City operates this facility and maintains a lease agreement with Coastal Seniors, a local nonprofit organization. City Hall is open to the public Monday through Thursday from 9:00 a.m. to 3:00 p.m., with a one-hour closure for lunch.

City personnel based at City Hall include the Assistant City Manager/City Clerk, Administrative Assistant, and City Treasurer. Administrative services provided at this location include general city governance, coordination between the City Council and the public, business license issuance, permit processing, floodplain administration, emergency service coordination, and human resources functions.

In addition to City staff, several professional services are provided through contract arrangements. Contracted professionals include the City Attorney, City Engineer, Accountant, and independent City Auditor. The City also contracts Marie Jones Planning for community development and planning services, and with the Mendocino County Planning and Building Services Department for building and inspection services. These contracted service providers coordinate closely with City staff and support administrative operations associated with City Hall.

3.2.2 Service Adequacy

3.2.2.1 CHALLENGES

The City faces numerous challenges, including significant financial strains as identified in fiscal years (FYs) 2023-24 and 2024-24. In March of 2024, the City had insufficient funds to pay staff wages. In response, the City implemented cost-cutting measures, reducing payroll by 50 percent by cutting staff from 9 to 5 positions and decreasing remaining staff hours by 20 percent, from 32 to 25 hours per week, including the Interim City Manager position. The City further cut expenditures to only essential costs by removing travel, deferred capital maintenance, and eliminating publications, memberships, and equipment purchases.

The City also approved a sales tax increase to generate an additional \$110,000 annually and implemented an indirect administrative fee of 15 percent to grants and other programs. In the coming year, the City Council will bring forward several initiatives for further discussion and Council action: new and/or adjustments for sewer, pier, and new event fees, restructure the business license tax, and restructure or

increase the Transient Occupancy Tax (TOT) (City of Point Arena 2025, pgs. 2-3). The rising cost of risk insurance and health care premiums have also created significant financial implications for the City (LAFCo 2025).

3.3 Street Maintenance

3.3.1 Service Overview

The Public Works Department is responsible for maintaining and repairing local streets within the City's jurisdiction. The department currently operates with approximately one FTE staff member who performs routine street maintenance activities. Typical duties include trash collection, street sweeping, minor pavement repair, and pothole filling.

3.3.2 Facilities and Capacity

The City maintains approximately 3.3 miles of public and private streets within its jurisdictional boundaries. This total does not include State Route 1 (Main Street and School Street), which are maintained by the California Department of Transportation (Caltrans).

Many of the City's streets were constructed several decades ago and typically lack modern design features such as substantial subbase layers, curbs, and gutters. As a result, major rehabilitation projects generally depend on the availability of state or federal grant funding.

A Pavement Management Report prepared in October 2012 evaluated the condition of the City's road network using the Pavement Condition Index (PCI), which ranges from 0 (worst condition) to 100 (best condition). The City's streets received an average PCI score of 75.5, indicating generally fair to good conditions overall. However, several streets were identified as requiring priority repairs, including Mill Street, Windy Hollow Road, and Riverside Drive. The report recommended targeted repairs along approximately 1,000 feet of Windy Hollow Road and 400 feet of Mill Street east of State Route 1. The Mill Street and Riverside Drive projects have been completed. The Windy Hollow Road project is ready for construction and is awaiting appropriation of funding.

3.3.2.1 INFRASTRUCTURE NEEDS

Each year, the City adopts a list of roadway projects identifying street segments that require rehabilitation or maintenance. The City annually approves, by resolution, a list of projects proposed to receive funding from the Road Maintenance and Rehabilitation Account (RMRA). The adopted resolution identifies the location and description of each project, the anticipated construction schedule, and the estimated useful life of the proposed improvements.

On June 24, 2025, the City adopted Resolution No. 2025-11 authorizing acceptance of approximately \$12,458 in funding for FY 2025-26 RMRA funding established under California SB 1 Road Repair and Accountability Act of 2017. This represents the eighth year that the City has received RMRA funding. RMRA funds support roadway maintenance and rehabilitation projects, safety improvements, and other transportation infrastructure needs that would otherwise be difficult for the City to fund through its limited local resources (City of Point Arena 2025i).

Recent funding is expected to address long-identified needs on Windy Hollow Road, which were first documented in the City's Pavement Management Report. The proposed project includes rehabilitation of approximately 0.6 miles of roadway within the City limits. Planned improvements include pavement

overlay, base repairs in areas with structural failure, and localized pavement patching along the City-owned portion of the roadway.

Additional infrastructure needs identified include:

- Port Road rehabilitation, along with sidewalk replacement and additions along Main Street to Iversen Street, drainage improvements, and roadway resurfacing

3.3.3 Service Adequacy

3.3.3.1 CHALLENGES

Due to ongoing fiscal constraints, the City typically performs minimum necessary roadway repairs rather than comprehensive preventative maintenance activities such as routine crack sealing, chip sealing, or minor overlays. As a result, pavement conditions may deteriorate more rapidly than would occur under a fully funded maintenance program.

However, the City has recently secured grant funding to address several of its more significant roadway rehabilitation needs beginning in FY 2025-26. Additional information regarding planning roadway improvements and other infrastructure investments is provided in Section 2.4.

3.4 [Stormwater](#)

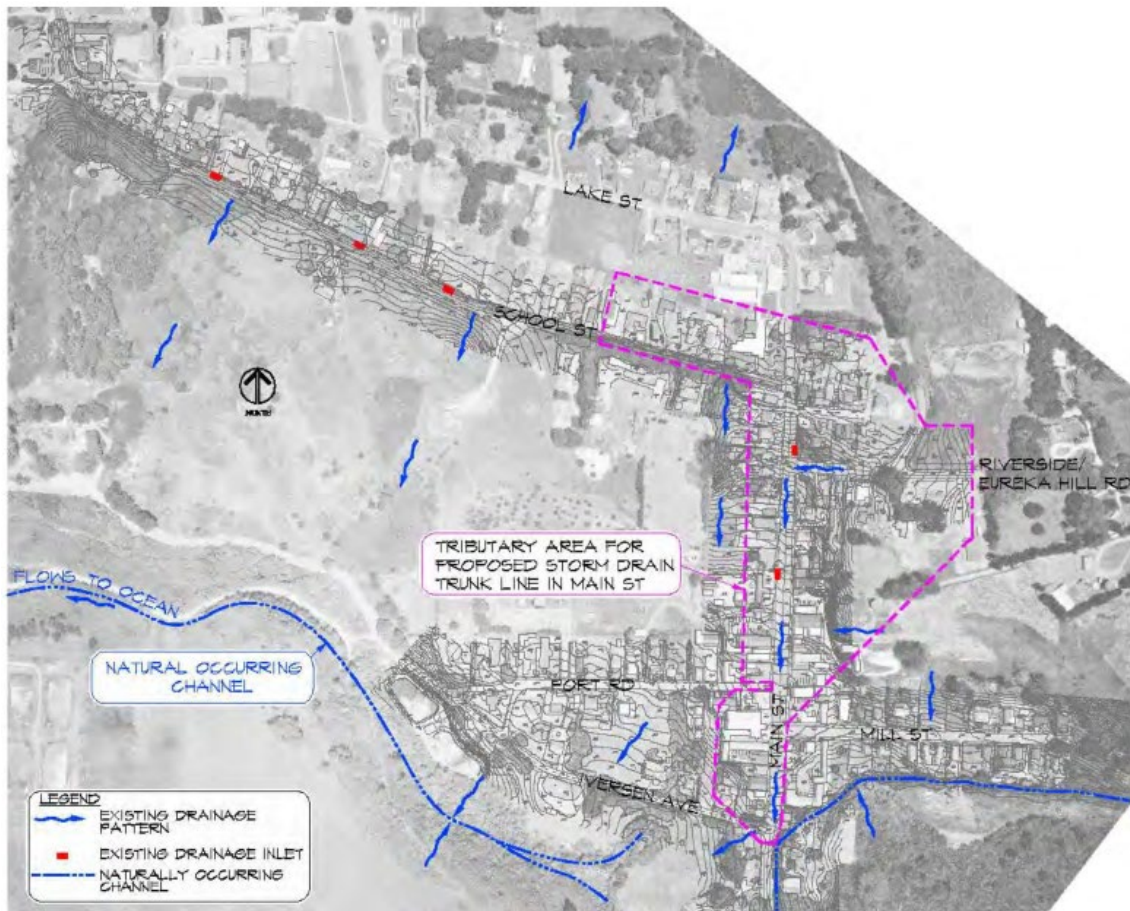
3.4.1 Service Overview

Stormwater management within the City is the responsibility of the Public Works Department. The City's Public Works staff maintains roadside ditches and drainage swales that convey stormwater runoff throughout the community. These stormwater-related duties are carried out by the City's Public Works employee as part of broader maintenance responsibilities.

3.4.2 Facilities and Capacity

Stormwater drainage within the City generally follows the area's natural topography. Runoff flows across hilly terrain into naturally occurring swales that ultimately drain to Arena Creek and Hathaway Creek, both of which discharge directly to the Pacific Ocean (Figure 3-1). Within developed portions of the City, stormwater infrastructure is limited. Most streets lack continuous curbs, gutters, and sidewalks, and drainage is primarily conveyed through roadside ditches that discharge to adjacent fields or natural drainage channels.

Figure 3-1: Existing Drainage Patterns



Source: Community Action Plan 2010.

3.4.2.1 INFRASTRUCTURE NEEDS

The City's Community Action Plan, prepared in April 2010, identified several storm drainage improvements intended to address localized drainage concerns. Recommended projects included modifications to existing drainage patterns along Mill Street, Port Road, and Iverson Avenue, as well as installation of curb, gutter, and sidewalk improvements along the south side of School Street and both sides of Riverside Drive/Eureka Hill Road. Subsequent roadway rehabilitation projects on Riverside/Main Street and Mill Street included improvements that addressed some of the identified drainage issues.

3.4.3 Service Adequacy

Stormwater drainage within the City of Point Arena is generally adequate to manage typical runoff conditions due in part to the area's natural topography and reliance on natural drainage channels such as Arena Creek and Hathaway Creek. The existing system of roadside ditches and swales provides basic conveyance for stormwater throughout much of the City.

3.4.3.1 CHALLENGES

The City faces challenges in maintaining and improving its stormwater infrastructure due primarily to limited staffing and financial resources. With only a small public works workforce responsible for multiple maintenance functions, the City's capacity to implement identified drainage improvements or undertake

proactive maintenance is constrained. As a result, capital improvements identified in planning documents, such as those recommended in the City’s Community Action Plan, have largely depended on the availability of grant funding or the incorporation of drainage improvements into larger roadway rehabilitation projects.

Despite these limitations, the City continues to address stormwater issues on an as-needed basis through routine maintenance and targeted improvements when funding opportunities arise. Continued investment in drainage infrastructure and additional maintenance capacity would help improve system reliability and reduce localized drainage concerns over time.

3.5 Parks and Facilities

3.5.1 Service Overview

Maintenance of public parks and recreational facilities within the City is the responsibility of the Public Works Department. Park maintenance responsibilities are carried out by the City’s Public Works staff, including one Maintenance Worker II, who is responsible for maintaining park facilities and other publicly used grounds throughout the City.

Although the City does not operate a formal recreation program, residents have access to recreational activities through the Mendocino Coast Recreation and Park District (MCRPD). The MCRPD provides recreational programming throughout its service area, which extends from Gualala to Westport, and periodically within the City.

Programs offered by MCRPD in Point Arena have included community tournaments and recreational activities such as cornhole and horseshoe events, theater camp hosted at the Arena Theater, and seasonal programs such as skate nights and youth activities. These programs provide recreational opportunities for residents and visitors while utilizing existing community facilities within the City.

3.5.2 Facilities and Capacity

The City owns three public parks: Arena Cove Park (0.25 acres), Downtown Park, which includes Centennial Plaza and Fisherman’s Playground (2.1 acres), and Rock Wall Park (1.5 acres). Collectively, these facilities provide approximately 3.85 acres of park land, with an estimated capacity to accommodate approximately 875 visitors (City of Point Arena 2025). See Figure 3-2.

In addition to park facilities, the Public Works Department maintains several other publicly owned or publicly utilized properties and facilities. These include coastal trails, the Veteran’s Memorial Building (which houses City Hall), and the Arena Cove and Pier area, which functions as both a working waterfront and a public recreation destination. The Arena Cove hosts several large community events each year, including the Fireworks Extravaganza and Street Fair in July and the Harbor Fish Fest in September. The Pier structure and adjacent upland areas are owned by the City, while the tidal waters fall under the jurisdiction of the California State Lands Commission.

In 2015, the City initiated a Trails, Open Space and Parks strategic planning effort to identify opportunities to enhance recreational amenities and improve connections between City parks and surrounding coastal lands. One of the primary objectives was to develop trail linkages between parks within the City and the nearby Point Arena-Stornetta Public Lands. The planning effort was ultimately discontinued before implementation of the proposed improvements.

Figure 3-2: Existing Park Locations in Point Arena



Source: Community Action Plan, 2010.

In 2011, the City acquired the property now known as Rock Wall Park. The site has remained largely undeveloped and is currently used primarily for winter boat storage and event parking. The City is exploring redevelopment of the site as a seasonal campground facility retaining its existing uses. The proposed project would include construction of restroom facilities and ten campsites (seven tent sites and three cabins) intended to operate seasonally from May through September. Preliminary feasibility and biological resources studies have been completed, and as of July 2025 the City is gathering community input in preparation for a coastal development permit analysis and future City Council consideration (see Figure 3-3: Draft Proposed Campground at Rock Wall Park).

Figure 3-3: Draft Proposed Campground at Rock Wall Park



Source: City of Point Arena.

3.5.3 Service Adequacy

Park maintenance and facility upkeep are performed by the Public Works Department, which must balance park maintenance responsibilities with other essential infrastructure and facility maintenance duties.

3.5.3.1 CHALLENGES

The City has experienced financial challenges in recent years, which have further constrained its ability to invest in park improvements and maintenance. Consequently, many capital improvements to parks and recreational facilities depend on the availability of external grant funding. While existing parks are generally maintaining and enhancing park facilities.

3.6 Harbor and Pier Operations

3.6.1 Service Overview

The boundary of the City surrounds Arena Cove, which contains the Arena Cove Harbor and municipal pier facilities. Harbor and pier operations are managed by the City's Harbor and Pier Operations Department, which consists of approximately one FTE position. Operations are overseen by the Harbor Supervisor, with additional assistance provided by a Pier Attendant.

The municipal pier operates as a City enterprise activity. Revenue is generated through several sources, including boat hoist fees, boat storage fees, and a poundage fee on commercially harvested seafood. As a result, pier revenues fluctuate with the productivity of local fisheries. Increased fishing activity generally results in higher revenue through hoist usage and seafood landings, while lower harvest levels correspondingly reduce pier-related revenues.

Since FY 2016-17, the City has subsidized a significant portion of the pier's operating costs, resulting in ongoing financial impacts to the City's discretionary funds. However, the City indicates that the Pier fund is approaching cost neutrality in the current fiscal year, driven by increased fee revenues and reduced operating hours.

3.6.2 Facilities and Capacity

Arena Cove is designated as an historic district and contains several historic facilities associated with the former US Coast Guard presence, including the Coast Guard Inn (a historic residence) and the Coast Guard Boat House, which historically served as a rescue boat launch site.

Harbor facilities include a fishing pier measuring approximately 320 feet in length and 28 feet in width. The structure consists of 37 steel pipe piles supporting precast concrete pile caps and deck panels, topped with an asphalt pavement surface. Additional structural elements include guardrails, ladders, utilities, and a gangway providing access to a boarding float (Moffatt & Nichol 2022, pg. 2).

Figure 3-4: The Pier at Point Arena Cove



Source: Moffatt & Nichol 2022.

Additional harbor amenities include:

- A boat launch and hoist facility
- Parking areas for vehicles and boat trailers
- Restroom and shower facilities
- Picnic tables and fish-cleaning stations

Parking is provided at no cost, and fishing from the pier does not require a fishing license. A small commercial fishing fleet operates Arena Cove, landing species such as salmon, crab, and sea urchin, which are sold locally. The harbor also supports a range of recreational activities including wildlife viewing, kayaking, abalone diving, surfing, and recreational boating.

Fees for use of the pier for both commercial and recreational use are summarized below in Table 3-1.

| Services | Rate | Details |
|--------------------------|----------------------------------|--|
| Boat Launch | \$45.00 | Launched and landed |
| Boat Launch Pass | \$300.00 | 10 launches (\$30 per launch). |
| Boat Storage | \$75/month | Storage |
| Boat Storage Annual Pass | \$750 | 12 months for price of ten; 2 months free |
| Showers | \$3 / 2 for \$5 | 3 minutes |
| Product Hoist | \$15 per use | Up and down use |
| Skiff Hoist | \$50 annual fee \$50 lost key | Exclusive use of the motorized skiff hoist |
| Yellow Hoist | \$60/hour | Exclusive use of hoist for non launch/landing operations; cannot disrupt regular hoist operations. |
| Forklift | 650/hour | Exclusive use of forklift for extended operations during peak seasons. |

Source: City of Point Arena 2023.

3.6.2.1 INFRASTRUCTURE NEEDS

The original wood pier at Arena Cove was destroyed during El Niño storms in 1983, prompting a series of actions led by the California Coastal Conservancy to restore harbor access. In 1984, the Conservancy funded a feasibility study and design work for a replacement pier. Later that year, the Conservancy awarded a \$265,000 grant to the City to acquire approximately 38 acres in Arena Cove to support harbor and pier reconstruction.

The replacement pier was constructed in 1985 using steel pipe with precast concrete caps and deck panels. The project cost approximately \$1.97 million, including a \$200,000 grant from the Coastal Conservancy, and was designed with an estimated 30-year service life (Coastal Conservancy 2023).

Significant repairs were completed in 1991, including installation of a protective pile wrap system designed to reduce corrosion of steel piles. Rubber sleeves were also installed around structural piles to extend the pier's structural lifespan. Although the pier remained in service well beyond its anticipated design life, ongoing maintenance and repairs are required (Mofatt & Nichol 2022, pg. 3).

In December 2022, at the direction of the California State Lands Commission, the City retained Moffatt & Nichol to prepare a structural condition assessment of the pier. The report determined that the structure was in “Fair” condition at the time of inspection. While most primary structural components remained functional with minor to moderate deterioration, localized areas of major deterioration were also identified (Moffatt & Nichol 2022, pg. 35).

In response to these findings, the Coastal Conservancy confirmed in November 2023 that it would award the City up to \$485,000 to develop the Arena Cove Harbor Access and Resilience Plan. The planning effort will include engineering, environmental review, and conceptual design work to identify improvements intended to protect and enhance harbor access and operations. The project will also address climate resilience, including sea level rise and increased storm surge protections. (Coastal Conservancy 2023)

Development of the plan is into two phases:

- Phase 1 (2025): Planning, engineering, environmental review, and permitting
- Phase 2 (2026-27): Project management, bidding, and construction implementation

3.6.3 Service Adequacy

The Arena Cove Harbor and municipal pier provide an important working waterfront facility for the community, supporting both commercial fishing activity and recreational use. The facility attracts visitors from across the region and serves as a focal point for tourism and coastal recreation within the City.

3.6.3.1 CHALLENGES

The primary challenges associated with harbor and pier operations relate to aging infrastructure, fluctuating revenue sources, and limited municipal financial capacity. Because pier revenues are directly tied to the productivity of local fisheries, income can vary significantly from year to year. At the same time, the structure has exceeded its original design life and requires ongoing maintenance and future capital investment.

In addition, the City’s limited staffing and financial resources constrain its ability to independently fund major capital improvements. As a result, long-term maintenance and rehabilitation of harbor infrastructure are expected to continue to depend heavily on state grants and external funding sources. The ongoing development of the Arena Cove Access and Resilience Plan represents an important step toward identifying and prioritizing needed improvements to maintain safe and reliable harbor operations.

3.7 [Wastewater Services](#)

3.7.1 Service Overview

The City operates a municipal wastewater collection and treatment system that serves residents and businesses within the City. The original sewer system is reported to have been constructed in the early 1930s. The current treatment facility, a facultative lagoon system, was placed into service in 1982, replacing the communities’ earlier septic system. Portions of the collection system were slip-lined with polyethylene in the early 1980s, and additional service was extended to the northern commercial and residential areas of the City in 2002.

Today, the wastewater system serves a population of approximately 460 residents, the local school district with approximately 600 students, and numerous commercial establishments. The wastewater treatment plant (WWTP) is a secondary treatment facility designed to treat an average dry weather flow (ADWF) of

57,000 gallons per day (0.057 MGD), and a peak wet weather flow (PWWF) of up to 860,000 GPD (0.86 MGD) (LAFCo 2025). The collection system includes 184 lateral connections, equivalent to approximately 364 equivalent standard dwelling (ESD) connections.

Available data through 2023 indicate an average daily flow of approximately 0.05 MGD and a peak daily flow of approximately 0.65 MGD (LAFCo 2025). Recent wastewater flow data are summarized in Table 3-2.

| Parameter (MGD) | 2019 | 2020 | 2021 | 2022 | 2023 | Average |
|--------------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Average Daily Flow | 0.053 | 0.0269 | 0.0318 | 0.0271 | 0.045 | 0.03676 |
| Average Dry Weather Flow | 0.035 | 0.029 | 0.028 | 0.03 | 0.032 | 0.0308 |
| Average Wet Weather Flow | 0.202 | 0.055 | 0.047 | 0.068 | 0.184 | 0.1112 |
| Maximum Daily Flow | 0.646 | 0.169 | 0.385 | 0.143 | 0.343 | 0.3372 |
| Maximum Monthly Flow | 4.192 | 1.94 | 2.13 | 1.625 | 3.929 | 2.7632 |

Source: LAFCo 2025.

3.7.2 Facilities and Capacity

The wastewater collection system consists of approximately 10,570 feet of 5.5- to 6-inch gravity sewer lines, 38 manholes, and two City-owned lift stations at Arena Cove and Cypress Meadows on the north end of the City. Wastewater treatment is provided through a facultative lagoon system that utilizes mechanical aeration and natural biological processes to achieve secondary standards (SHN 2023).

Wastewater enters the treatment facility through a 10-inch gravity main into the headworks, where larger solids are screened using a fixed bar screen. Smaller solids are shredded using a flow-through grinder before passing through a six-inch Parshall flume, which measures influent flow via a sonic monitoring device (SHN 2019).

From the headworks, wastewater is routed to either the north or south lagoon through a distribution box and variable slide-gate system. Biological treatment occurs in the aerated lagoons, each equipped with floating aerators that provide mixing and oxygenation. After an average detention time of approximately 2.4 days, treated effluent flows to a chlorine mixing chamber for disinfection before being conveyed to percolation ponds for groundwater recharge (City of Point Arena 2017).

Treated wastewater is discharged to four percolation ponds, each approximately 17,000 square feet (0.40 acres) in size, located on the south bluff along Bluff Top Road. The ponds are constructed of bentonite-lined and air-placed concrete and can operate in series or parallel configurations to allow flexibility for maintenance and operational needs. (LAFCo 2015a)

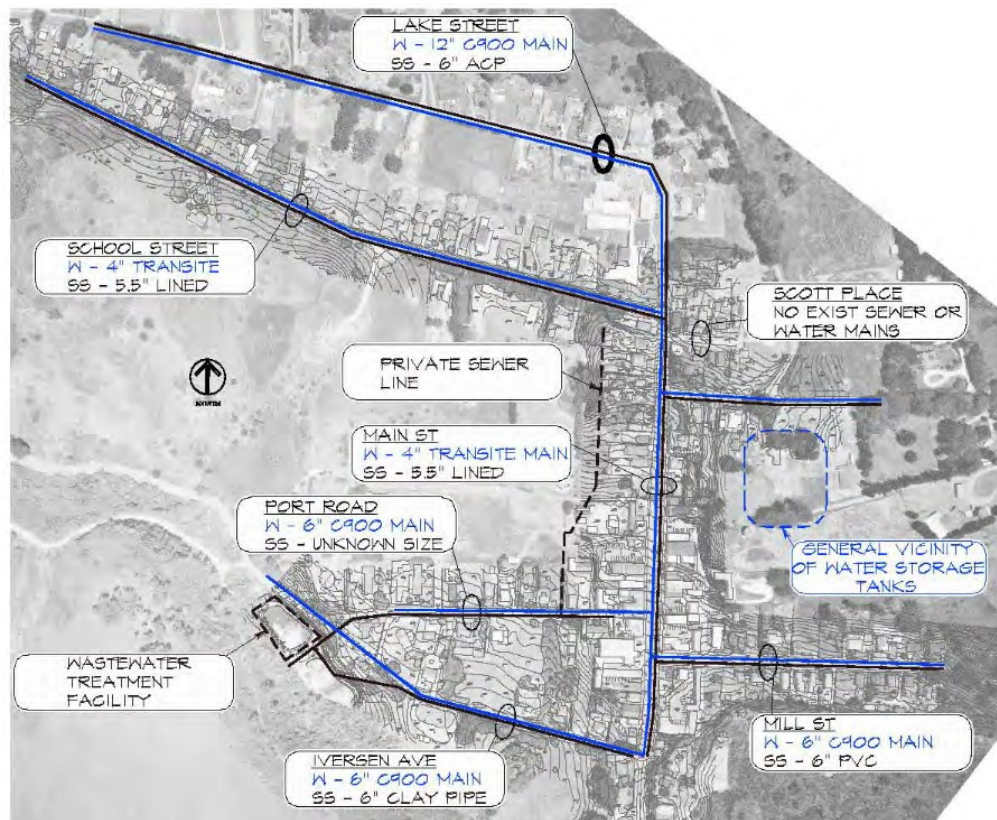
See Figure 3-5 for the wastewater treatment system and Figure 3-6 for existing sewer collection lines.

Figure 3-5: Point Arena WWTP Facilities



Source: City of Point Arena 2017.

Figure 3-6: Existing Sewer Collection Lines and Water Service Lines



Source: Community Action Plan 2010.

During heavy rainfall, percolation rates may not keep pace with effluent flows. In these instances, a nearby spray field is used as supplemental discharge capacity.

The system currently operates at approximately 27 percent of its design capacity, a level that has remained relatively consistent over the past several decades (City of Point Arena, 2019). Based on this available capacity, the WWTP is considered capable of meeting both existing wastewater demands and projected buildout within the City (LAFCo 2025).

Wastewater operations are overseen by a Wastewater Maintenance Supervisor (Chief Plant Operator), who serves as the City's authorized representative for regulatory reporting to the North Coast Regional Water Quality Control Board (NCRWQCB). The City Manager works in coordination with the Chief Plant Operator to manage system operations and develop the annual wastewater system budget.

The facility is staffed by one FTE utility operator and a part-time operator-in-training who assist with day-to-day operations. Staff are available on a rotating schedule, including weekend coverage and 24-hour on-call availability for emergency response. Cross training is encouraged to ensure operational coverage across all system components, and training opportunities are included in the City's annual budgeting process (City of Point Arena 2017).

3.7.2.1 INFRASTRUCTURE NEEDS

The lagoon treatment system is designed to operate primarily in series, with the south lagoon discharging to the north lagoon, although the system can also operate in parallel or with individual lagoons temporarily taken offline for maintenance (City of Point Arena 2017).

A key infrastructure challenge affecting the wastewater system is inflow and infiltration (I&I). During wet weather events, stormwater enters the sewer collection system through aging pipes, joints, and other infrastructure defects. This condition increases overall system flows and places additional strain on treatment facilities. I&I is common in many North Coast communities due to aging infrastructure, seasonal rainfall patterns, seismic conditions, and high groundwater levels.

Each year, the Public Works Department evaluates system components to identify areas requiring repair, rehabilitation, or replacement. Projects are prioritized based on need and available funding. When funding is insufficient for full replacement projects, the City implements interim maintenance measures such as pipe televising, localized repairs, root removal, or other targeted maintenance activities to prevent system failures.

Short-term capital improvements may include pipe patching, lateral replacements, and root removal. Longer-term projects may involve replacement of sewer main segments or upgrades to treatment facilities. The City publishes a Capital Improvement Plan (CIP) annually that includes a five-year projection of major infrastructure improvements and equipment needs. (City of Point Arena 2017).

In 2019, the City successfully obtained a planning grant through the Clean Water State Revolving Fund (CWSRF) for the Point Arena Infiltration, Inflow, and Pipeline Capacity Project. The City received \$435,800 in funding. In 2024, CWSRF and the City amended the agreement for an estimated \$841,400 in funding (State Water Board Division of Financial Assistance 2024). The project includes collection system improvements and wastewater treatment facility upgrades which had been previously unaddressed due to funding shortfalls. The system improvements will reduce the frequency of I&I and sanitary sewer overflows, decrease health and safety risks to treatment plant staff, and improve the reliability of the

wastewater system (SHN 2022, pg. 36). The project deliverable included the development of construction documents for the replacement and improvement of the City’s pipeline system.

In a CWSRF Project Financing Forecast for State FY 2024-25, the City of Point Arena is noted as requesting \$9,000,000 in funding from the Small Community Wastewater (SCWW) program for a proposed sewer collection system and wastewater treatment facility. As of December 2024, the application status was listed as incomplete (CWSRF 2024, pg. 6). City staff report that the project was delayed due to financial constraints, and the final engineering plans are being developed, which will be used to request construction funding.

3.7.2.2 ENGINEERING REPORTS

In 2017, the City adopted a Sewer System Management Plan (SSMP) as required under the statewide Waste Discharge Requirements for sanitary sewer systems issued by the California State Water Resources Control Board (SWRCB). The SSMP outlines procedures for operation, maintenance, and emergency response associated with the City’s wastewater collection system and is required for all sewer systems greater than one mile in length (SWRCB Order No. 2006-0003-DWQ).

3.7.2.3 REGULATORY PERMITS AND COMPLIANCE HISTORY

The City’s wastewater system operates under waste discharge requirements issued by the North Coast Regional Water Quality Control Board, including Waste Discharge Requirements Order No. R1-2022-0015, which replaced Order No. R1-2003-001.

A summary of the City’s regulatory measures as identified by SWRCB is shown below in Table 3-3. The City has maintained an active permit with SWRCB since 1990 (SWRCB 2025a).

| Reg Measure ID | Reg Measure Type | Region | Program | Order No. | WDID | Effective Date | Expiration Date | Status | Amended |
|----------------|------------------|--------|------------|--------------|--------------|----------------|-----------------|------------|---------|
| 448294 | WDR | 1 | WDRMUNILRG | R1-2022-0015 | 1B80045 OMEN | 6/9/22 | 6/9/32 | Active | N |
| 261054 | Letter | 1 | WDR | 001 | 1B80045 OMEN | 8/6/03 | | Historical | N |
| 131628 | WDR | 1 | WDRMUNILRG | R1-2022-0015 | 1B80045 OMEN | 1/23/03 | 1/23/13 | Historical | N |
| 138700 | WDR | 1 | WDRMUNILRG | 96-015 | 1B80045 OMEN | 3/28/96 | 3/26/06 | Historical | N |
| 138016 | WDR | 1 | WDRMUNILRG | 80-045 | 1B80045 OMEN | 4/24/80 | 4/22/90 | Historical | N |

Source: SWRCB 2025a.

The City has maintained an active wastewater permit with the State since 1990 (SWRCB 2025a). Regulatory compliance data maintained by the SWRCB indicates that the City has received 18 reported violations since August 2020, most related to suspended solids exceedances (SWRCB 2025a). A summary of the regulatory measures is provided in Table 3-3, and related violations are illustrated in Figure 3-7.

Figure 3-7: SWRCB Point Arena WWTP Violations

| Violation ID | Occurred Date | Violation Type | (-) Violation Description | Corrective Action | Status | Classification | Source |
|------------------------------|-------------------------------|--------------------------------|---|-----------------------------------|------------------------|--------------------------------|------------------------|
| 1114850 | 03/16/2023 | LREP | Failed to submit monthly monitoring report for February 2023 monitoring period. | | Violation | B | Report |
| 1114849 | 02/16/2023 | LREP | Failed to submit monthly monitoring report for January 2023 monitoring period. | | Violation | B | Report |
| 1114848 | 01/17/2023 | LREP | Failed to submit monthly monitoring report for December 2022 monitoring period. | | Violation | B | Report |
| 1114847 | 12/16/2022 | LREP | Failed to submit monthly monitoring report for November 2022 monitoring period. | | Violation | B | Report |
| 1114846 | 11/16/2022 | LREP | Failed to submit monthly monitoring report for October 2022 monitoring period. | | Violation | B | Report |

Report displays most recent five years of violations. Refer to the [Interactive Violation Report](#) for more data.

Total Violations: 5 **Priority Violations: 0**

Source: SWRCB 2025a.

3.7.2.4 SANITARY SEWER SPILLS

Sanitary sewer spills occur when sewage is discharged from the sewer system due to operational failure, infrastructure damage, or system overflows. Spill reports are tracked through a statewide reporting system maintained by the SWRCB under the Statewide Sanitary Sewer Systems Order (WQO No. 2022-0103-DWQ).

A review of the State’s incident reporting database identified eight sanitary sewer spill events associated with the City’s system. The most recent incident occurred in 2020 (SWRCB 2025b).

City procedures require staff to report sanitary sewer spills within two hours of notification, regardless of spill size. When a spill occurs, the wastewater plant operator contacts the California Office of Emergency Services (Cal OES), the NCRWQCB, and the Mendocino County Environmental Health Department. Response personnel first assess the situation, contain the discharge, and return spilled wastewater to the system whenever feasible. For spills exceeding 1,000 gallons, additional agency notifications are made after immediate response actions have been taken (City of Point Arena 2017).

3.7.3 Service Adequacy

Overall, wastewater treatment and disposal services within the City appear to be adequate for current service demands. The treatment plant operates well below its design capacity and is capable of accommodating projected future growth within the City.

3.7.3.1 CHALLENGES

The primary operational challenge affecting the wastewater system is I&I within the aging sewer collection system. Wet weather flows significantly increase system loading during storm events. Although system upgrades and targeted repairs have reduced I&I impacts over time, it remains an ongoing operational concern.

The City is currently pursuing grant funding to replace portions of the wastewater collection system’s main lines. These improvements are expected to reduce I&I by approximately 50 percent, improving system efficiency and reducing treatment demands during wet weather periods (LAFCo 2025).

3.8 Outside Municipal Service Providers

Several municipal services within the City of Point Arena are provided through contracts with other public agencies or private utilities. These arrangements allow the City to access specialized services and maintain service levels while operating with a small municipal workforce.

3.8.1 Community Development

Community development services are provided through contracted professional services with Marie Jones Consulting, which assists the City with planning and development review functions. Building permit review, inspections, and related services are provided through a contract with the Mendocino County Planning and Building Services Department. These arrangements enable the City to process development permits and provide building inspection services without maintaining in-house planning and inspection staff; 21 coastal development permits have been issued since the beginning of 2021.

3.8.2 Law Enforcement

Law enforcement services for the City are provided by the Mendocino County Sheriff's Office (MCSO).²⁴ Deputies assigned to the Fort Bragg substation provide coverage for the City as well as the surrounding unincorporated coastal areas between the Navarro River (State Route 128) and Gualala near the county line. Services are typically provided by two deputies and one lieutenant assigned to the region; however, the designated resident deputy position has been vacant for an extended period.

The City funds these services through its annual Community Oriented Policing Services (COPS) grant, which provides a lump-sum contract for law enforcement coverage. Actual expenditures may vary annually depending on service needs (see Section 2.4). The MCSO provides personnel, vehicles, equipment and administrative support. Dispatch services are coordinated through the MCSO in Ukiah, with coordination among local fire departments, emergency medical providers, and the California Highway Patrol (CHP).

Call volumes in the Point Arena area are generally considered light, although law enforcement presence is typically maintained during higher activity periods such as weekend evenings. Individuals taken into custody are transported to the County jail facility in Ukiah, often with a transfer between deputies in Boonville during transport.

3.8.3 Fire Protection and Emergency Services

Fire protection and emergency response services within the City are provided by the Redwood Coast Fire Protection District (RCFPD). The district was formed in 1997 through consolidation of the Redwood Coast Volunteer Fire Department, which included the Point Arena Volunteer Fire Department, and the Garcia Fire and Rescue Volunteer Fire Department. The district services coastal communities from Irish Beach south to Schooner Gulch and operates fire stations in Irish Beach, Manchester, and Point Arena.

The Point Arena station, located at 282 Lake Street, is a five-bay facility constructed in 2003. The district has an Insurance Services Office (ISO) rating of 8 within the City and 9 in surrounding rural areas.

Water supply for firefighting is provided by Point Arena Water Works, Inc. (PAWW). The system includes 43 fire hydrants served by 12-inch and 6-inch distribution lines and two water storage tanks with a combined capacity of approximately 557,000 gallons, providing roughly a six-hour supply at a fire flow of

²⁴ More information about the Mendocino County Sheriff's Office can be found online: [Mendocino County Sheriff's Office](#).

1,500 GPM. Additional supply of approximately 132 GPM can be delivered through the system's main pump.

Emergency medical transport services are provided by the Coast Life Support District (CLSD).²⁵ The district operates ambulance services and provides emergency response training for fire departments. CLSD is a bi-county agency that serves coastal areas of southern Mendocino and northern Sonoma County, including the Point Arena area, and maintains an ambulance housed at the Point Arena fire station.

3.8.4 Water

Potable water service within the City is provided by PAWW, a private Class D water company that provides potable water utility regulated by the California Public Utilities Commission (CPUC). PAWW's service area generally coincides with the City boundaries.

The system's primary water source is the Garcia River, supplemented by groundwater wells including one 24-inch well, one 12-inch well, and three additional wells located at Whiskey Shoals. Annual water production averages approximately 12,370 centum cubic feet (CCF),²⁶ equivalent to roughly 9.2 million gallons or 28.4 acre-feet per year (AFY) (LAFCo 2018). Average residential water use is approximately 87 gallons per customer per day, reflecting relatively low consumption levels.

PAWW maintains storage capacity through a 285,000-gallon concrete tank and a 272,000-gallon wooden tank. The distribution system includes approximately 46,000 linear feet of pipeline, primarily consisting of 6-inch, 8-inch and 12-inch lines, with some smaller 2-inch and 4-inch lines still in use (LAFCo 2018).

The system currently serves 201 customers,²⁷ including 139 residential connections and 62 commercial or industrial connections, along with 30 inactive connections. All services are metered. Based on current water use and supply allocations, the system may be capable of serving another approximately 450 additional connections, for a total of approximately 685 water connections under the utilities current allocation of 100 AFY.

Although overall system conditions are considered generally adequate, a 2004 Water System Master Plan and Feasibility Analysis identified limitations related to storage capacity and fire flow in portions of the system. Fire flow limitations are most notable in Zone 1 (downtown) where 6-inch water lines remain in service. Replacement of these lines is expected to occur as funding becomes available (LAFCo 2018).

3.8.5 Solid Waste Services

Solid waste collection and recycling services within the City are provided by Redwood Waste Solutions under a franchise agreement with the City. The service provider pays a franchise fee to the City in exchange for exclusive waste collection services.

Curbside collection for both garbage and recycling occurs weekly on Friday and serves both residential and commercial customers. Redwood Waste Solutions also operates a recycling center at the Point Arena

²⁵ The principal LAFCo for Coast Life Support District is Sonoma County. More information about CLSD can be found on their website: [Coast Life Support District](#).

²⁶ A centum cubic feet (CCF) represents one hundred cubic feet of water, which equates to 748 gallons.

²⁷ The most recent data found on PAWW customer data is a 2024 report obtained from the California Public Utilities website: [Point Arena Water Works 2024 Annual Report](#) and the [State Drinking Water Information System](#).

Pier at the end of Port Road, where recyclable materials are accepted at no charge. Accepted materials include newspaper, cardboard, office paper, glass food and beverage containers, steel cans, aluminum cans, and plastic food and beverage containers. (City of Point Arena 2025)

3.9 MSR Determinations

Pursuant to [GC §34000 and the following \(et seq.\)](#), the Commission does hereby establish the functions and classes of services provided by the City of Point Arena as limited municipal services.

This section presents the required MSR determinations pursuant to [GC §56430\(a\)](#)²⁸ for the City of Point Arena.

3.9.1 MSR Review Factors

3.9.1.1 GROWTH

| |
|---|
| Growth and population projections for the affected area |
|---|

1. The City of Point Arena has land use authority within its jurisdiction and maintains a General Plan, Zoning Ordinance, and Local Coastal Program that guide existing and future development. Lands adjacent to the City are regulated by the County of Mendocino through its General Plan and zoning code.
2. The City's population has remained relatively stable over the past two decades, declining from 474 residents in 2000 to 449 residents in 2010 and increasing slightly to approximately 460 residents in the 2020 census.
3. California Department of Finance projections indicate that Mendocino County's population is expected to decline slightly from 91,601 residents in 2023 to approximately 89,091 residents by 2033 and remain relatively stable through 2043.
4. Approximately 217 parcels within the City are developed with residential uses and 39 additional parcels are zoned for residential development, indicating the City is approximately 84.8 percent built out under current zoning.
5. The City's Regional Housing Needs Allocation (RHNA) for the 2019–2027 housing cycle is 9 housing units, reflecting the City's small population base and limited projected growth. However, the RHNA allocation is now expected to increase to 35 housing units despite the City's ongoing challenges in constructing the required 9 units within its jurisdiction.
6. The City's Housing Element identifies theoretical capacity for approximately 282 housing units on vacant or underutilized parcels; however, this capacity substantially exceeds projected housing demand. Based on historic population trends and regional projections, minimal population growth is anticipated.

3.9.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

| |
|--|
| The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence |
|--|

7. Data prepared by the California Department of Water Resources does not identify the City of Point Arena as an economically disadvantaged community (DAC) based on median household income (MHI)

²⁸ GC §56430(a) (2024) can be found here: [California Government Code § 56430 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

levels. In addition, the City is an incorporated municipality and therefore does not meet the statutory definitions of a disadvantaged unincorporated community (DUC) under [GC §56033.5](#). In contrast, the Climate Bond (Prop 4) (2024) expands the definition of a DAC to include underserved communities located in areas with MHIs above the 80 percent statewide levels. According to analysis prepared by California Natural Resources Agency, the City of Point Arena and surrounding area qualify as a DAC under the Climate Bond criteria (California Public Resources Code §90100).

8. Lands adjacent to the City are predominantly rural and characterized by agricultural uses, open space, and low-density residential development. Settlement patterns in the surrounding area are dispersed and do not reflect the concentrated residential development typically associated with disadvantaged unincorporated communities.
9. Municipal services in the Point Arena area are provided through a combination of agencies. The City provides wastewater service within its jurisdictional boundaries, structural fire protection services are provided by Redwood Coast Fire Protection District, and potable water service is provided by Point Arena Water Works, Inc., a privately owned water utility. These services are generally adequate to serve existing development within the City and surrounding area. Consistent with Government Code §56430 and SB 244 requirements, this MSR evaluated the availability and adequacy of public water, wastewater, and structural fire protection services in areas within or contiguous to the City's Sphere of Influence.

3.9.1.3 CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence

10. The City of Point Arena was incorporated on July 11, 1908, as a General Law City and functions as a multi-service provider within its jurisdiction, The City directly provides wastewater treatment, harbor and pier operations, street maintenance, stormwater drainage, and park maintenance services.
11. Other essential municipal services are provided by external agencies and utilities. Potable water service is provided by Point Arena Water Works, Inc., a privately owned water utility; structural fire protection and emergency response are provided by Redwood Coast Fire Protection District; and law enforcement is provided by the Mendocino County Sheriff's Office.
12. The City's wastewater system serves approximately 460 residents, the local school district serving approximately 600 students, and multiple commercial establishments within the City limits.
13. The City's wastewater treatment plant is designed to treat an average dry weather flow of approximately 57,000 gallons per day (0.057 MGD) and currently operates at approximately 27 percent of its design capacity.
14. Average wastewater flows are approximately 0.05 MGD with peak daily flows of approximately 0.65 MGD, indicating adequate treatment capacity to serve existing development and projected future demand.
15. Inflow and infiltration (I&I) within the wastewater collection system has been identified as an operational challenge. The City has identified infrastructure improvements intended to reduce these conditions as part of ongoing maintenance and capital planning.
16. Water service within the City is provided by Point Arena Water Works, Inc., which currently serves approximately 201 connections and has the potential to accommodate additional connections under

its existing water supply allocation. While the system is generally considered adequate to meet existing demand, localized infrastructure limitations related to storage capacity and fire flow have been identified in portions of the system.

17. Structural fire protection services are provided by the Redwood Coast Fire Protection District, which operates a fire station within the City. The district maintains an Insurance Services Office (ISO) rating of 8 within the City limits and provides fire suppression and emergency response to the surrounding coastal region. Fire protection water supply is provided by the Point Arena Water Works distribution system and associated storage tanks and hydrant network.
18. The City owns and operates the Arena Cove Harbor and municipal fishing pier, which functions as both a working waterfront supporting a small commercial fishing fleet and a public recreational facility. The pier has exceeded its original design life and requires ongoing maintenance and long-term rehabilitation planning. The City is currently pursuing state funding to complete the Arena Cove Harbor Access and Resilience Plan to guide future improvements and enhance resilience to coastal hazards.
19. The City has identified infrastructure needs including rehabilitation of aging wastewater collection system components, roadway improvements, and long-term maintenance of harbor infrastructure. Due to the City's limited financial resources, many capital improvements are dependent upon the successful acquisition of state and federal grant funding.

3.9.1.4 FINANCIAL ABILITY OF AGENCY

| |
|---|
| Financial ability of agencies to provide services |
|---|

20. The City of Point Arena operates with a limited revenue base reflective of its small population, constrained tax base, and rural coastal setting. Municipal revenues are derived from a combination of property tax, sales tax, transient occupancy tax, intergovernmental funding, service fees, and enterprise revenues.
21. The City experienced significant fiscal challenges during fiscal years 2023-24 and 2024-25. In response, the City implemented reductions in staffing and operational expenditures and pursued additional revenue sources to stabilize its financial condition. These actions represent initial steps toward improving the City's financial stability.
22. Approximately 85 percent of the City's revenues are generated from three major sources: Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. This revenue structure reflects the City's reliance on external funding sources and enterprise revenues to support municipal operations and infrastructure improvements.
23. As of December 2025, the City's long-term debt totaled approximately \$300,000 and is associated with financing used to support capital improvement projects.
24. The City's wastewater enterprise fund generates revenue through user fees. Wastewater service rates were last adopted through a rate study and Proposition 218 process in 2016, and the City plans to conduct a new rate study in 2026 to evaluate the adequacy of existing rates to support ongoing operations, maintenance, and capital needs.
25. As reported in the City's FY 2023-24 audited financial statements, the City does not maintain reserves for capital expenditures and organizational reserves have been reduced to nominal levels. The audit indicates that management has relied on a temporary line of credit to address cash flow deficits and identified conditions that could affect the City's ability to continue as a going concern if corrective financial measures are not maintained.

26. Although the City has identified a long-term goal of increasing reserves to approximately 25 percent, the City does not currently maintain a formal policy governing reserve levels. Development and adoption of a formal reserve policy could support long-term financial planning and improved fiscal stability.
27. The City maintains a Capital Improvement Plan (CIP) identifying priority infrastructure projects and anticipated funding sources. The current CIP covers the planning period from FY 2020 through 2026 and was most recently updated in June of 2026.
28. Several essential services within the City are provided by external agencies or utilities, including potable water service, structural fire protection, and law enforcement. These agencies maintain independent financial structures that support service delivery within the region.
29. Although the City continues to face fiscal constraints typical of small rural municipalities, ongoing financial management efforts, pursuit of external funding sources, and long-term financial planning are intended to support the City's ability to maintain municipal services and address infrastructure needs.

3.9.1.5 SHARED SERVICES AND FACILITIES

| |
|---|
| Status of, and opportunities for, shared facilities |
|---|

30. The City utilizes several shared facilities and cooperative service arrangements with other public agencies and organizations to support service delivery while operating with limited staffing.
31. Fire protection services are provided by the Redwood Coast Fire Protection District and emergency medical services are provided by the Coast Life Support District through cooperative service arrangements. Both agencies operate from a fire station within the City that serves both City residents and surrounding unincorporated areas.
32. The City owns the Veterans Memorial Building, which houses City Hall. The City maintains a lease agreement with Coastal Seniors for use of the Veterans Memorial Building. Point Arena contracts for planning, building inspection, engineering, accounting, and legal services.
33. The City shares space at the County of Mendocino Public Works Yard in Point Arena for storage of maintenance equipment.
34. The City maintains public parks and recreational facilities used by residents and visitors. Recreational programming within the City is periodically provided in coordination with the Mendocino Coast Recreation and Park District. Community facilities such as the Arena Theater and the Arena Cove harbor area also serve as venues for regional events and community activities.
35. The City participates in mutual aid agreements and cooperative service arrangements with neighboring jurisdictions and County agencies to support emergency response, disaster preparedness, building inspection services, transportation coordination, and law enforcement.
36. The City participates in regional cooperative service arrangements, including membership in the California Intergovernmental Risk Authority (CIRA), which provides pooled risk management and insurance services, and the Mendocino Council of Governments (MCOG), which coordinates regional transportation planning and intergovernmental collaboration.
37. Given the City's small size, limited staffing, and constrained financial resources, shared facilities and cooperative service arrangements play an important role in supporting efficient municipal service delivery.

3.9.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies

38. The City of Point Arena operates under a Council-Manager form of government in which the City Council establishes policy direction and the City Manager oversees administrative operations.
39. City meetings are conducted in accordance with the Ralph M. Brown Act, which requires open meetings, posted agendas, and opportunities for public participation.
40. Elected officials are subject to state ethics training requirements pursuant to AB 1234 and conflict-of-interest disclosure requirements under Government Code §87300 et seq.
41. Due to its small size and limited staffing, the City relies on a combination of internal staff and contracted professional services to support municipal operations, including planning, legal, engineering, accounting, and building inspection services. This operational model allows the City to maintain administrative functions while managing costs and staffing constraints.
42. The City relies on partnerships and service agreements with other public agencies and special districts to provide services such as law enforcement, fire protection, water service, emergency medical response, and solid waste collection. These cooperative service arrangements allow the City to provide municipal services that would otherwise be difficult to sustain independently.
43. The City participates in regional and cooperative service arrangements with other agencies and organizations, including membership in the Mendocino Council of Governments for regional transportation planning and the California Intergovernmental Risk Authority for risk management and insurance.
44. Based on the governance structure, public meeting practices, administrative procedures, and interagency coordination, the City maintains mechanisms to address community service needs within the constraints of its size, staffing, and fiscal capacity.
45. Financial oversight and operational accountability are maintained through the annual budget process, periodic financial reporting, and independent financial audits, which help ensure that public funds are managed responsibly and that service delivery remains aligned with available resources.

3.9.1.7 OTHER SERVICE DELIVERY MATTERS

Any other matter related to effective or efficient service delivery, as required by commission policy

46. Based on the information reviewed as part of this MSR, no additional service delivery issues were identified beyond those addressed in the preceding determinations.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo/Commission) prepares a Municipal Service Review (MSR) prior to, or in conjunction with, the review and update of a Sphere of Influence (SOI). An SOI represents the probable future boundary of a local government agency and is used by LAFCo to guide the logical and orderly development of communities consistent with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) and Commission policies.

The MSR provides the analytical foundation for the SOI review by evaluating service conditions, infrastructure capacity, governance, and growth trends within the affected area. The MSR analysis and required determinations are presented in Chapters 2 and 3 of this document and serve as the basis for the SOI determinations. This chapter presents the SOI update and required determinations pursuant to [California Government Code §56425\(e\)](#).²⁹

4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying an SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with local LAFCo policies. The SOI policies can be found in the Mendocino LAFCo Policies and Procedures Manual, adopted November 5, 2018, and as updated.³⁰

10.1.1 Legislative Authority and Intent

A sphere of influence is the probable 20-year growth boundary for a jurisdiction's physical development. The Commission shall use spheres of influence to:

- a) promote orderly growth and development within and adjacent to communities;
- b) promote cooperative planning efforts among cities, the County, and special districts to address concerns regarding land use and development standards, premature conversion of agriculture and open space lands, and efficient provision of public services;
- c) guide future local government reorganization that encourages efficiency, economy, and orderly changes in local government; and
- d) assist property owners in anticipating the availability of public services in planning for the use of their property.

10.1.2 Definitions

The Commission incorporates the following definitions:

- a) an "establishment" refers to the initial development and determination of a sphere of influence by the Commission;

²⁹ GC §56425(e) (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

³⁰ The Mendocino LAFCo Policies and Procedures Manual can be found here: [Policies & Procedures - Mendocino LAFCo](#).

- b) an “amendment” refers to a limited change to an established sphere of influence typically initiated by a landowner, resident, or agency; and
- c) an “update” refers to a comprehensive change to an established sphere of influence typically initiated by the Commission.

10.1.3 Sphere Updates

In updating spheres of influence, the Commission’s general policies are as follows:

- a) The Commission will review all spheres of influences every five years for each governmental agency providing municipal services. Municipal services include water, wastewater, police, and fire protection services.
- b) Sphere of influence changes initiated by any agency providing a municipal service shall generally require either an updated or new service review unless LAFCo determines that a prior service review is adequate.
- c) Spheres of influence of districts not providing municipal services including, but not limited to, ambulance, recreation, hospital, resource conservation, cemetery, and pest control shall be updated as necessary.

10.1.4 Reduced Spheres

The Commission shall endeavor to maintain and expand, as needed, spheres of influence to accommodate planned and orderly urban development. The Commission shall, however, consider removal of land from an agency’s sphere of influence if either of the following two conditions apply:

- a) the land is outside the affected agency’s jurisdictional boundary but has been within the sphere of influence for 10 or more years; or
- b) the land is inside the affected agency’s jurisdictional boundary but is not expected to be developed for urban uses or require urban-type services within the next 10 years.

10.1.5 Zero Spheres

LAFCo may adopt a “zero” sphere of influence encompassing no territory for an agency. This occurs if LAFCo determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency (e.g., mergers, consolidations). The local agency which has been assigned a zero sphere should ultimately be dissolved.

10.1.6 Service Specific Spheres

If territory within the proposed sphere boundary of a local agency does not need all the services of the agency, a “service specific” sphere of influence may be designated.

10.1.7 Agriculture and Open Space Lands

Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency’s sphere of influence unless the area’s exclusion would impede the planned, orderly and efficient development of the area. In addition, LAFCo may adopt

a sphere of influence that excludes territory currently within that agency's boundaries. This may occur when LAFCo determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation would be jeopardized by inclusion within an agency's sphere. Exclusion of these areas from an agency's sphere of influence indicates that detachment is appropriate.

10.1.8 Annexations Are Not Mandatory

Before territory can be annexed to a city or district, it must be within the agency's sphere of influence ([GC §56375.5](#)).³¹ However, territory within an agency's sphere will not necessarily be annexed. A sphere is only one of several factors that are considered by LAFCo when evaluating changes of organization or reorganization.

10.1.9 Islands or Corridors

Sphere of influence boundaries shall not create islands or corridors unless it can be demonstrated that the irregular boundaries represent the most logical and orderly service area of an agency.

10.1.10 Overlapping Spheres

LAFCo encourages the reduction of overlapping spheres of influence to avoid unnecessary and inefficient duplication of services or facilities. In deciding which of two or more equally capable agencies shall include an area within its sphere of influence, LAFCo shall consider the agencies' service and financial capabilities, social and economic interdependencies, topographic factors, and the effect that eventual service extension will have on adjacent agencies. Where an area could be assigned to the sphere of influence of more than one agency, the following hierarchy typically applies:

- a) Inclusion within a city's sphere
- b) Inclusion within a multi-purpose district's sphere
- c) Inclusion within a single-purpose district's sphere

Territory placed within a city's sphere indicates that the city is the most logical provider of urban services. LAFCo encourages annexation of developing territory (i.e., area not currently receiving services) that is currently within a city's sphere to that city rather than to one or more single-purpose special districts. LAFCo discourages the formation of special districts within a city's sphere. To promote efficient and coordinated planning among the county's various agencies, districts that provide the same type of service shall not have overlapping spheres.

10.1.11 Memorandum of Agreements (For City Sphere Amendments and Updates)

Prior to submitting an application to LAFCo for a new city sphere of influence or a city sphere of influence update, the city shall meet with the County to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements as contained in GC §56425. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by LAFCo and the County, and LAFCo shall give great weight to the

³¹ GC §56375.5 can be found here: [California Code, Government Code - GOV § 56375.5 | FindLaw.](#)

agreement to the extent that it is consistent with LAFCo policies in its final determination of the city sphere.

10.1.12 Areas of Interest

LAFCo may, at its discretion, designate a geographic area beyond the sphere of influence as an Area of Interest (AOI) to any local agency.

- a) An AOI is a geographic area beyond the sphere of influence in which land use decisions or other governmental actions of one local agency (the "Acting Agency") impact directly or indirectly upon another local agency (the "Interested Agency"). For example, approval of a housing project developed to urban densities on septic tanks outside the city limits of a city and its sphere of influence may result in the city being forced subsequently to extend sewer services to the area to deal with septic failures and improve city roads that provide access to the development. The city in such a situation would be the Interested Agency with appropriate reason to request special consideration from the Acting Agency in considering projects adjacent to the city.
- b) When LAFCo receives notice of a proposal from another agency relating to the Area of Concern, LAFCo will notify the Interested Agency and will consider its comments.
- c) LAFCo will encourage Acting and Interested Agencies to establish Joint Powers Agreements or other commitments as appropriate.

4.2 Existing Sphere of Influence

The City of Point Arena's (City/Point Arena) SOI was first modified in 1997 when the Redwood Coastal Fire Protection District (Redwood Coast FPD/RCFPD) was formed, and fire protection was no longer a City service (LAFCo 2015b).

Point Arena's SOI was last modified in 2015 (LAFCo Resolution No. 15-16-04)³² to include treated effluent spray fields and adjacent "island" area, and the Point Arena Cove Area (LAFCo 2015b). The current City SOI is slightly greater than the existing City boundary.

4.2.1 Study Areas

Study areas are unique to a specific agency and are used to define the extent of one or more locations for SOI analysis purposes. Study areas may be created at different levels of scope and/or specificity based on the circumstances involved. The following descriptions demonstrate the array of scenarios that may be captured by a SOI study area.

- An area with clear geographic boundaries and scope of service needs based on years of interagency collaboration or public engagement and a project ready for grant funding or implementation.
- An area involving broader community regions or existing residential subdivisions with a large or long-term vision in need of fostering and/or establishing interagency partnerships.
- An area in early stages of conception that is not currently geographically well-defined and generally involves one or more ideas identified by agency or community leaders needing further definition.
- An area geographically defined by a gap between the boundaries of existing public service providers.

³² LAFCo Resolution No. 15-16-04 can be found here: [2015-16-04+Point+Arena+SOI+Update+\(signed\).pdf](#).

- An area adjacent to an existing agency’s boundary slated for development needing urban services.

Study areas can result in a proposed SOI or sphere expansion area or the designation of an AOI to earmark areas for enhanced interagency coordination or for future SOI consideration.

No study areas have been identified in or immediately surrounding the City.

4.2.2 Area of Interest Designation

LAFCo’s AOI Policy, per Section 10.1.12, provides for the designation or identification of unincorporated areas located near to, but outside the jurisdictional boundary and established SOI of a city or district, in which land use decisions or other governmental actions of another local agency directly or indirectly impact the subject local agency.

An AOI designation serves as a compromise approach that recognizes situations involving challenging boundary or municipal service delivery considerations, or for which urbanization may be anticipated in the intermediate or long-range planning horizons. It is a tool intended to enhance communication and coordination between local agencies.

An AOI designation is most helpful when the county and city or district can reach agreement that development plans related to LAFCo designated AOI will be treated the same as if these areas were within the city or district SOI boundary, particularly regarding notification to and consideration of input from the city or district.

No AOIs have been identified for Point Arena.

4.3 Proposed Sphere of Influence

No changes to the City’s Sphere of Influence are proposed at this time. The City’s existing SOI is coterminous with the City limits, reflecting the City’s current service area and the limited growth potential within the surrounding rural coastal region. Based on the analysis contained in the MSR and consideration of the statutory factors set forth in Government Code §56425(e), the existing SOI boundary remains appropriate to reflect the City’s service capabilities, land use patterns, and anticipated growth. Accordingly, the City and LAFCo staff recommend that the Commission affirm the existing SOI boundary.

4.4 Consistency with LAFCo Policies

Mendocino LAFCo has established policies to help meet its CKH Act mandates. This section identifies potential inconsistencies between the proposed SOI and local LAFCo policies.

The proposed City SOI is consistent with Mendocino LAFCo Policies (refer to Section 4.1 for the specific SOI policies).

4.5 Determinations

In determining the SOI for an agency, LAFCo must consider and prepare written determinations with respect to five factors as outlined in [GC §56425\(e\)](#).³³ These factors are as follows:

1. The present and planned land uses in the area, including agricultural and open space lands;

³³ GC §56425(e) (2024) can be found here: [California Government Code § 56425 \(2024\) :: 2024 California Code :: US Codes and Statutes :: US Law :: Justia.](#)

2. The present and probable need for public facilities and services in the area;
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency; and
5. The present and probable need for public facilities and services (including sewers, municipal and industrial water, or structural fire protection) of any disadvantaged unincorporated communities within the existing Sphere of Influence.

4.5.1 Present and Planned Land Uses in the Area, Including Agricultural and Open Space Lands

The City of Point Arena maintains adopted land use planning documents, including a General Plan, Zoning Ordinance, and Local Coastal Program, which guide existing and future development within the City. Land uses within the City consist primarily of residential, public facility, and harbor-related uses associated with the community's small coastal population and tourism economy. The City is largely developed under existing zoning, with approximately 85 percent of residential parcels already built out.

Lands adjacent to the City limits are under the jurisdiction of the County of Mendocino and are characterized primarily by rural residential development, agricultural uses, open space, and coastal resource lands. These surrounding areas exhibit low-density development patterns and environmental constraints typical of the Mendocino Coast. Based on existing land use patterns and planning policies, development surrounding the City is expected to remain limited, and no significant land use changes are anticipated that would warrant expansion of the City's SOI at this time.

4.5.2 Present and Probable Need for Public Facilities and Services in the Area

The City of Point Arena provides a range of municipal services within its jurisdiction, including wastewater treatment, street maintenance, stormwater drainage, harbor and pier operations, and park maintenance. Other essential services within the community—including potable water supply, structural fire protection, emergency medical response, and law enforcement—are provided by other public agencies or utilities serving the region.

Population trends and regional demographic projections indicate minimal population growth within the City and surrounding area. Based on these trends and the City's limited remaining development capacity, the present and probable need for expanded municipal services beyond the existing City limits appears limited. Existing service providers and service arrangements appear adequate to serve existing development within the City and surrounding coastal communities.

4.5.3 Present Capacity of Public Facilities and Adequacy of Public Services

The City's wastewater treatment facility currently operates well below its design capacity, indicating sufficient capacity to serve existing development and modest future growth within the City. The City has identified infrastructure improvements needed to address aging wastewater collection system components, roadway maintenance, and long-term rehabilitation of harbor infrastructure. While these needs require ongoing capital investment, the City continues to pursue grant funding and infrastructure improvements to maintain service levels.

Other public services in the Point Arena area are provided by external agencies, including Point Arena Water Works, Inc., for potable water supply and the Redwood Coast Fire Protection District for structural

fire protection and emergency response. These services are generally considered adequate for existing development, although certain localized infrastructure improvements related to water system storage and fire flow capacity have been identified. Overall, the present capacity of public facilities and services appears adequate to serve existing development and anticipated growth within the City's planning area.

4.5.4 Existence of Any Social or Economic Communities of Interest

The City of Point Arena functions as a small coastal community that serves as a local center of commercial activity, civic services, and community events for residents along the southern Mendocino County coastline. The City provides the closest commercial and community center for nearby rural areas, including the unincorporated community of Manchester located to the north along State Highway 1. Community institutions such as the Arena Cove harbor and pier, community gathering spaces, and recreational resources contribute to shared economic and social relationships among residents within the City and surrounding rural areas.

The Manchester area includes lands associated with the Manchester-Point Arena Band of Pomo Indians and maintains social and economic connections with Point Arena through access to goods, services, community events, and regional amenities. These relationships reflect the interconnected nature of small coastal communities along this portion of the Mendocino Coast.

The broader Point Arena area includes dispersed rural residential communities and agricultural lands that maintain functional relationships with the City for access to commercial services, recreation, and community activities. While these relationships demonstrate regional community ties, the surrounding areas remain largely rural and are governed by separate land use jurisdictions and service providers. Based on the information reviewed and the relationships described above, these regional connections do not represent distinct communities of interest requiring modification of the City's SOI.

4.5.5 Present and Probable Need for Public Facilities and Services of Any Disadvantaged Unincorporated Communities

Data prepared by the California Department of Water Resources does not identify the City of Point Arena as an economically disadvantaged community based on median household income levels. In addition, the City is an incorporated municipality and therefore does not meet the statutory definition of a disadvantaged unincorporated community. However, the Climate Bond (Prop 4) (2024) expands the definition of a DAC to include underserved communities located in areas with MHIs above the 80 percent statewide levels. According to analysis prepared by California Natural Resources Agency, the City of Point Arena and surrounding area qualify as a DAC under the Climate Bond criteria (California Public Resources Code §90100). Lands surrounding the City are generally characterized by dispersed rural development, agricultural uses, and open space and do not contain concentrated residential areas typically associated with disadvantaged unincorporated communities.

The nearby unincorporated community of Manchester, located north of the City along State Highway 1, maintains social and economic relationships with Point Arena as the closest commercial center along this portion of the Mendocino Coast. The Manchester area includes lands associated with the Manchester-Point Arena Band of Pomo Indians and functions as a rural coastal community with development patterns and service arrangements independent of the City. Public water, wastewater, and structural fire protection services in the Manchester area are provided through a combination of independent systems and regional service providers.

Based on demographic information, land use patterns, and service provider data reviewed as part of the MSR, no DUC were identified within or contiguous to the City's SOI that would require evaluation for annexation or extension of municipal services. Accordingly, there is no present or probable need for the City to provide municipal services to DUCs within the existing SOI. While the nearby community of Manchester maintains social and economic connections with the City, the area is served through independent infrastructure systems and regional service providers, and expansion of the City's SOI would not improve municipal service delivery in the area.

4.6 Conclusion

Based on the Municipal Service Review analysis and the determinations prepared pursuant to Government Code §56425(e), the existing SOI for the City of Point Arena continues to reflect the logical service boundary for municipal services provided by the City. The current SOI boundary is consistent with existing land use patterns, service capacity, and anticipated growth within the area.

The MSR did not identify land use changes, service deficiencies, DUCs, or other conditions that would warrant modification of the City's SOI at this time. Accordingly, the existing SOI boundary is considered appropriate and no changes are recommended.

4.7 Recommendation

Pursuant to [GC §56425](#) and the MSR prepared for the City of Point Arena, the Commission has considered the statutory SOI factors related to land use, service needs, facility capacity, communities of interest, and DUCs.

Based on the information contained in the MSR and the analysis presented in this report, it is recommended that the SOI for the City of Point Arena remain unchanged. The City's existing SOI boundary reflects the appropriate planning boundary for municipal services and is adequate to accommodate anticipated growth and service needs within the planning horizon.

5 REFERENCES

- Assembly Committee on Local Government Honorable Juan Carrillo, Chair. *Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000*. 2023.
- California Department of Finance (DOF). Demographic Research Unit. *Report P-2A: Total Population Projections, California Counties, 2020-2070* (Baseline 2023 Population Projections; Vintage 2024 Release). Sacramento: California. September 2024. [P2A County Total.xlsx \(live.com\)](#).
- California Department of Housing and Community Development (HCD). "Housing Element Annual Progress Report (APR) Data by Jurisdiction and Year". California Open Data Profile. October 8, 2024. [Housing Element Annual Progress Report \(APR\) Data by Jurisdiction and Year - Dataset - California Open Data](#).
- California Department of Water Resources (DWR). "Well Completion Report Map Application" [Web Map]. Scale Not Given. DWR Maps (arcgis.com) (August 28, 2025). [Well Completion Report Map Application](#).
- California Natural Resources Agency. "Climate Bond (Proposition 4) (S)DAC Communities Map" [Web Map]. Scale 1" = 5,000 ft. "Climate Bond". arcgis.com (May 5, 2026). [Climate Bond \(Proposition 4\) \(S\)DAC Status](#).
- California Special Districts Association (CSDA). "Special Districts Mapping Project" [Web Map]. Scale Not Given. "City of Point Arena". CSDA Map (arcgis.com) (August 26, 2025). [The CSDA Special Districts Mapping Project](#).
- California State Water Resources Control Board (SWRCB). "CWSRF Project Financing Forecast for SFY 2024-25 - Comprehensive List (Updated December 2024)." *Clean Water State Revolving Fund*, December 2024. [Updated 2024-25 CWSRF Intended Use Plan Comprehensive List](#).
- California State Water Resources Control Board (SWRCB) a. "Facility At-A-Glance Report - Point Arena WWTP." California Integrated Water Quality System. Accessed August 2025. [California Integrated Water Quality System \(CIWQS 100.0\) - Build Number: mainTrunk.mm.dd.yyyy.1](#).
- b. "Spill Public Report - Spill Event ID(s) Page." California Integrated Water Quality System. California State Water Resources Control Board. Accessed September 1, 2025. ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet?reportId=sso_overview_region&reportAction=generate®ion=&agency=&collSys=&count=8&sortcol=1&printfriendly=y&urpage=0&pagesize=25.
- . *State Water Resources Control Board, Order No. 2006-0003-DWQ*, May 2, 2006. [wqo2006 0003](#).
- California State Parks. "History." Accessed August 28, 2025. [HISTORY](#).
- California State Water Board Division of Financial Assistance. "DFA Compilation Spreadsheet." September 2024. [dfa-ww-compilation.xlsx](#).
- Census Reporter. "Block Group 2, Tract 111.02, Mendocino, CA." 2023 American Community Survey 5-Year Estimates. 2023. Accessed August 28, 2025. [BG 2, Tract 111.02, Mendocino, CA - Profile data - Census Reporter](#).

- Census Reporter. "Census Tract 111.02, Mendocino, CA." 2023 American Community Survey 5-Year Estimates. 2023. Accessed August 28, 2025. [Census Tract 111.02, Mendocino, CA - Profile data - Census Reporter](#).
- Chaven and Associates, LLP. *City of Point Arena California, Audited Financial Report for the Fiscal Year Ended June 30, 2020*. April 26, 2021.
- Chaven and Associates, LLP. *City of Point Arena California, Audited Financial Report for the Fiscal Year Ended June 30, 2021*. July 8, 2022.
- Chaven and Associates, LLP. *City of Point Arena, California, Audited Financial Report for the Fiscal Year Ended June 30, 2022*. June 6, 2023.
- Chaven and Associates, LLP. *City of Point Arena, California, Audited Financial Report for the Fiscal Year Ended June 30, 2024*. September 11, 2025.
- Chaven and Associates, LLP. *Letter to the Honorable Mayor, Members of the City Council and Management of the City of Point Arena*. March 22, 2024.
- City of Point Arena a. "City Council." Accessed August 25, 2025. [City Council | City of Point Arena](#).
- b. "City History." Accessed August 28, 2025. [City History | City of Point Arena](#).
- c. *City of Point Arena Organizational Chart*, July 2025.
- d. "Garbage, Recycling & Compost." Accessed September 2, 2025. [Garbage, Recycling & Compost | City of Point Arena](#).
- e. "General Plan/Local Coastal Program." Accessed August 28, 2025. [General Plan/Local Coastal Program | City of Point Arena](#).
- f. "Homepage." Accessed August 22, 2025. [City of Point Arena](#).
- g. "Housing." Accessed August 28, 2025. [Housing | City of Point Arena](#).
- h. "Planning & Permitting." Accessed August 27, 2025. [Planning & Permitting | City of Point Arena](#).
- . "Point Arena Pier Fees." October 1, 2023. Accessed August 28, 2025. [Pier Fees.pdf - Google Drive](#).
- . *2017 Wastewater Treatment Plant - Sewer System Management Plan (SSMP)*, 2017. Accessed August 28, 2025. [Wastewater Treatment | City of Point Arena](#).
- i. *2025-06-24 City Council Meeting*, June 24, 2025. Accessed August 28, 2025. [2025-06-24 City Council Meeting | City of Point Arena](#).
- . *2025-2026 Fiscal Year City of Point Arena Steets & Roads*, June 25, 2024.
- Coastal Conservancy. *Arena Cove Harbor Access and Resilience Plan*, November 30, 2023. [PROJECT NAME](#).
- County of Mendocino a. "Current Emergency Information." Accessed August 28, 2025. [Current Emergencies - MendoReady](#).

- County of Mendocino. *Mendocino County General Plan*. August 2009. [Current General Plan | Mendocino County, CA](#).
- County of Mendocino. *Mendocino County General Plan, Coastal Element*. November 9, 2021. [638181067153900000](#).
- b. "Mendocino County Zoning Map" [Web Map]. Scale Not Given. "County of Mendocino, California". Mendocino County Zoning Map (arcgis.com) (August 26, 2025).
- Hill, N. "National Register of Historic Places In Mendocino County." April 28, 2022. Accessed August 28, 2025. [National Register #90001364: Point Arena Main Street Historic Commercial District in Mendocino County, California](#).
- Joseph Arch, CPA. *DRAFT City of Point Arena, California Annual Financial Report for the Fiscal Year Ended June 30, 2023*. March 8, 2024.
- Mendocino Council of Governments (MCOG). *Final Mendocino County Regional Housing Needs Plan*, Adopted August 20, 2018. [2018 Mendocino County Regional Housing Needs Plan](#).
- Mendocino Local Agency Formation Commission (LAFCo) a. *City of Point Arena Municipal Service Review*, February 2, 2015. [Point Arena Municipal Service Review](#).
- b. *City of Point Arena Sphere of Influence Update*, November 2, 2015. Resolution No. 15-16-04. <https://mendolafco.specialdistrict.org/files/91f2c48a3/Point+Arena+SOI+Update+Adopted+11-2-15+w+Reso.pdf>.
- . *Multi-District Fire Protection Services Sphere of Influence*, May 7, 2018. Resolution No. 2017-18-07. [Microsoft Word - Multi-District Fire SOI Update Adopted FINAL](#).
- . *Mutual Water Companies in Mendocino County*, August 2018. [2018+Mutual+Water+Company+Profile+Report+w+maps.pdf](#).
- . *Request for Information (RFI) with Point Arena City Manager*, July 2025.
- Moffatt & Nichol. *City of Point Arena, Point Arena Fishing Pier Condition Assessment Report*, December 9, 2022. Accessed August 28, 2025. [Microsoft Word - 221782 Point Arena Fishing Pier 2022 Condition Assessment Report Final Rev00.docx](#).
- National Park Service. "National Register Database and Research." August 5, 2025. Accessed August 28, 2025. [National Register Database and Research - National Register of Historic Places \(U.S. National Park Service\)](#).
- O'Malley, M. "Understanding Proposition 218." Legislative Analyst's Office. Legislative Analyst's Office, December 1, 1996. [Understanding Proposition 218 \(ca.gov\)](#).
- Planwest Partners Inc. *Final City of Point Arena 2019-2027 Housing Element Update*, October 8, 2019. Resolution No. 2019-24. [Housing Element 2019-2027.pdf - Google Drive](#).
- Point Arena Schools. "Homepage." Accessed August 28, 2025. [Home - Point Arena Schools](#).

- SHN Engineers. City of Point Arena Collection System and Wastewater Facility Improvements Preliminary Engineering Report Update. October 2022.
- US Census Bureau, "GARM Chapter 10: Census Tracts and Block Numbering Areas," *US Census Bureau*. 2013. [Ch10GARM.pdf](#).
- US Census Bureau, "Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)," *American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1901*, <https://data.census.gov/table/ACSST5Y2024.S1901?g=1400000US06045011102>.
- US Census Bureau, "Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)," *American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1901*, <https://data.census.gov/table/ACSST5Y2024.S1901?g=160XX00US0645386>.
- US Census Bureau a. "Profile - California." United States Census Bureau, 2026. [California - Census Bureau Profile](#).
- b. "Profile - Mendocino County, California." United States Census Bureau. United States Census Bureau, 2026. [Mendocino County, California - Census Bureau Profile](#).
- c. "Profile - Point Arena city, California." United States Census Bureau. United States Bureau, 2026. [Point Arena city, California - Census Bureau Profile](#).

6 ACKNOWLEDGEMENTS

6.1 Report Preparation

This Municipal Service Review and Sphere of Influence Update was prepared by Hinman & Associates Consulting, Inc., contracted staff for Mendocino LAFCo.

Uma Hinman, Executive Officer
Jennifer Crump, Analyst

6.2 Assistance and Support

This Municipal Service Review and Sphere of Influence Update could not have been completed without the assistance and support from the following organizations and individuals.

| | |
|---------------------|--|
| City of Point Arena | Molly Haviland, City Manager Paul Andersen, Assistant City Manager/City Clerk |
|---------------------|--|

7 APPENDICES

7.1 Appendix A – Open Government Resources

The purpose of this appendix is to provide a brief list of some educational resources for local agencies interested in learning more about the broad scope of public interest laws geared towards government transparency and accountability. This appendix is not intended to be a comprehensive reference list or to substitute legal advice from a qualified attorney. Feel free to contact the Mendocino LAFCo office at (707) 463-4470 to make suggestions of additional resources that could be added to this appendix.

The websites listed below provide information regarding the following open government laws: (1) **Public Records Act** (Government Code §6250 et seq.), (2) **Political Reform Act** – Conflict-of-Interest regulations (Government Code §81000 et seq.), (3) **Ethics Principles and Training** (AB 1234 and Government Code §53235), (4) **Brown Act** – Open Meeting regulations (Government Code §54950 et seq.), and (5) **Online Compliance** regulations (Section 508 of the US Rehabilitation Act and Government Code §11135).

- Refer to the State of California Attorney General website for information regarding public access to governmental information and processes at the following link: <https://oag.ca.gov/government>.
- Refer to the State of California Attorney General website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <https://oag.ca.gov/ethics>.
- The Fair Political Practices Commission (FPPC) is primarily responsible for administering and enforcing the Political Reform Act. The website for the Fair Political Practices Commission is available at the following link: <http://www.fppc.ca.gov/>.
- Refer to the California Department of Rehabilitation website for information regarding Section 508 of the US Rehabilitation Act and other laws that address digital accessibility at the following link: <http://www.dor.ca.gov/DisabilityAccessInfo/What-are-the-Laws-that-Cover-Digital-Accessibility.html>.
- Refer to the Institute for Local Government (ILG) website to download the Good Governance Checklist form at the following link: www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices.
- Refer to the Institute for Local Government (ILG) website to download the Ethics Law Principles for Public Servants pamphlet at the following link: www.ca-ilg.org/node/3369.
- Refer to the Institute for Local Government (ILG) website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <http://www.ca-ilg.org/ethics-education-ab-1234-training>.
- Refer to the California Special Districts Association (CSDA) website for information regarding online and website compliance webinars at the following link: <http://www.csda.net/tag/webinars/>.

7.2 Appendix B – Website Compliance Handout

California Website Compliance Checklist

Use this checklist to keep your district's website compliant with State and Federal requirements.

Public Records Act

SB 929

Our district has created and maintains a website

Passed in 2018, all independent special districts must have a website that includes contact information (and all other requirements) by Jan. 2020

SB 272

Our Enterprise System Catalog is posted on our website

All local agencies must publish a catalog listing all software that meets specific requirements—free tool at getstreamline.com/sb272

AB 2853 (optional):

We post public records to our website

This bill allows you to refer PRA requests to your site, if the content is displayed there, potentially saving time, money, and trees

The Brown Act

AB 392:

Agendas are posted to our website at least 72 hours in advance of regular meetings, 24 hours in advance of special meetings

This 2011 update to the Act, originally created in 1953, added the online posting requirement

AB 2257:

A link to the most recent agenda is on our home page, and agendas are searchable, machine-readable and platform independent

Required by Jan. 2019—text-based PDFs meet this requirement, Microsoft Word docs do not

State Controller Reports

Financial Transaction Report:

A link to the Controller's "By the Numbers" website is posted on our website

Report must be submitted within seven months after the close of the fiscal year—you can add the report to your site annually, but posting a link is easier

Compensation Report:

A link to the Controller's PublicPay website is posted in a conspicuous location on our website

Report must be submitted by April 30 of each year—you can also add the report to your site annually, but posting a link is easier

Healthcare District Websites

AB 2019:

If we're a healthcare district, we maintain a website that includes all items above, plus additional requirements

Including budget, board members, Municipal Service Review, grant policy and recipients, and audits

Open Data

AB 169:

Anything posted on our website that we call "open data" meets the requirements for open data

Defined as "retrievable, downloadable, indexable, and electronically searchable; platform independent and machine readable" among other things

Section 508 ADA Compliance

CA gov code 7405:

State governmental entities shall comply with the accessibility requirements of Section 508 of the federal Rehabilitation Act of 1973

Requirements were updated in 2018—if you aren't sure, you can test your site for accessibility at achecker.ca



California Special Districts Association
CSDA
Districts Stronger Together

csda.net



STREAMLINE
Website compliance made easy

getstreamline.com

The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

Placement:

What it says: An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda.

What that means: Add a link to the **current agenda directly to your homepage**. It cannot be in a menu item or otherwise require more than a single click to open the agenda.

Exception:

What it says: A link to the agenda management platform may be added to the home page instead of a link directly to the current agenda, if the agency uses an integrated agenda management platform that meets specified requirements, including, among others, that the current agenda is the first agenda available at the top of the integrated agenda management platform.

What that means: If you use an agenda management system, you may add a link to that system directly to your homepage (again, not in a menu item), if the format of the agenda meets the requirements below, and if the current agenda is the first at the top of the list.

Format:

What it says: [agenda must be] Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications. Platform independent and machine readable. Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

What that means: You cannot add Word Docs or scanned (image-based) PDFs of your agenda to your website—Word Docs are not platform independent (the visitor must have Word to read the file), and scanned PDFs are not searchable. Instead, **keep your agenda separate from the packet** and follow these steps:

1. From Word or other document system: Export agenda to PDF
2. Add that agenda to your website (or to your agenda management system), and include a link to that agenda on your homepage
3. Then, you can print the agenda, add it to your pile of documents for the packet, and scan that to PDF - just keep the packet separate from the agenda (only the agenda must meet AB 2257)
4. Keep the link on the homepage until the next agenda is available, then update the link

Questions? Contact sloane@getstreamline.com or dillong@csga.net



California 2024 Web Accessibility Checklist

Updated May 1, 2024. Download the latest at getstreamline.com/ada

Congratulations on your commitment to ensuring that your district's website is accessible to your entire community, including those with disabilities. This checklist will help you ensure compliance with **The Unruh Act** and **AB 434**.

Before you begin

- Perform an initial scan to check for known issues using checkmydistrict.org or another tool
- Have your website provider's contact information to report any issues

One-time actions - examples available at <https://getstreamline.com/accessibility-policy>

1. **Designate an accessibility officer** - We have designated one staff member as the accessibility officer who will be the go-to contact for accessibility issues.
2. **Approve an accessibility policy** - Our board has approved an accessibility policy that includes the level of accessibility you are adhering to, like WCAG 2.1 AA.
3. **Create and post an accessibility page** - We have created a dedicated accessibility website page to house all accessibility-related content, including the policy and plan. If we have components that are not yet compliant, we have added information about our remediation plan and timeline to get compliant.
4. **Create a process for community concerns** - We have a process in place where a community member can submit a concern via form, phone number, and/or email address.
5. **Enable closed captions on your videos** - Our videos all have closed captions, and we have a process for including closed captions in future videos. (YouTube includes this for free when enabled. [Learn how](#). It is important that a human verifies the general accuracy of the captions.)

Ongoing actions - recommended once per month

6. **Scan your website pages each month** - We have scanned every page of our website, every page has a score and list of issues to remediate. Free tools include checkmydistrict.org, Google Chrome Lighthouse (F12 will activate), and wave.webaim.org. Demand your web developer address any issues that arise.
7. **Check your attachments**. We have checked all of our attachments and we have removed or added a written a disclaimer for any third-party attachments that we are unable to remediate.
8. **Perform remediations** - We have taken action to fix issues detected by a scan/reported by our community

Other actions to consider

- **Third-party ADA audit** - larger districts should consider hiring an outside firm to conduct an audit. Manual testing by users with disabilities is the gold standard to ensure access.
- **Indemnification** - Choosing a platform or insurance that indemnifies or insures you against the risk of fines

*Remember, Streamline is only a software company, and Streamline's templates and guides are not a substitute for getting your own competent legal advice.

7.3 Appendix C – Housing Legislation Trends and Results

Mendocino County and ADUs

Mendocino County has taken several steps in recent years to facilitate the construction and operation of Accessory Dwelling Units (ADUs) as part of broader efforts to address housing needs throughout the region. These efforts include adoption of an ADU ordinance establishing development standards and permitting procedures for accessory units. In addition, the County adopted amendments to its General Plan on November 9, 2011, updating the Coastal Zoning Code component of the Local Coastal Program (LCP) to establish and revise standards governing ADU development within the Coastal Zone.

Because the City of Point Arena lies within the Mendocino County Coastal Zone, development within the City is subject to coastal-specific land use regulations and policies. Within the Coastal Zone of Mendocino County (excluding the Gualala Town Plan area), the number of permitted ADUs is limited to 500 units. Junior Accessory Dwelling Units (JADUs), typically smaller units of up to 500 square feet located within an existing residential structure, are exempt from this cap. Any modification to the established ADU would require a Local Coastal Program amendment.

Per Section §20.458.040 of the Public Health and Safety Requirements in the County’s Municipal Code, adequate water supply and wastewater capacity must be available to serve both the proposed new residence and any existing residences on the property. When a property is located within the service area of a public utility or service district, the property owner must obtain written authorization from the relevant service provider confirming the availability of service for the proposed ADU.

ADU development within the coastal zone is also subject to additional coastal resource protection requirements. These provisions are intended to protect environmentally sensitive habitat areas, coastal access, and other coastal resources, and can influence the feasibility and siting of accessory units. Additional development standards and restrictions application to ADUs and JADUs in the Coastal Zone are described in §20.458.045 of the County’s Municipal Code.

City of Point Arena

The City of Point Arena recently updated its ADU Ordinance 242 to update regulations regarding ADU and JADUs with the goal of increasing statewide availability of smaller, more affordable housing units. The provisions allow for ADUs and JADUs on all lots that are occupied with legally established single-family dwelling units as principally permitted or conditionally permitted uses.

The Larger Picture

To understand the role of ADUs within broader housing trends, housing production data reported through Mendocino County’s General Plan Annual Progress Report (APR) provides useful context. The APR is prepared annually in accordance with requirements of the California Governor’s Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD), and documents progress toward implementation of the Housing Element and fulfillment of Regional Housing Needs Assessment (RHNA) allocations.

Data presented in the County’s most recent APR for the unincorporated areas of Mendocino County, adopted by the Board of Supervisors on June 6, 2023, indicate that ADUs represent a modest but consistent portion of recent housing development activity. During the 2022 reporting year, the County

received 143 housing development applications, of which 38 were for ADUs. In 2021, a total of 102 housing development applications were received, including 35 ADU applications.

While the number of ADU applications remains relatively small compared to applications for single-family residences, the data indicate that ADUs continue to represent a component of local housing development trends. Incremental development of ADUs within the region could result in modest increases in demand for water and wastewater services provided by Point Arena Water Works, Inc. (PAWW) and the City of Point Arena. However, all new development remains subject to verification of adequate service capacity and must obtain written approval from the applicable service provider prior to connection.

Regional Housing Needs Assessment (RHNA)

State housing law requires each region in California to plan for future housing development through the Regional Housing Needs Assessment (RHNA) process. In response to statutory requirements and direction from the California Department of Housing and Community Development (HCD), the Mendocino Council of Governments (MCOG) adopted a Regional Housing Needs Plan in 2018.

Although MCOG primarily functions as the regional transportation planning agency, it was designated by HCD as the appropriate entity to coordinate the housing allocation process for Mendocino County. Jurisdictions participating in the regional process include Mendocino County and the cities of Ukiah, Fort Bragg, Willits, and Point Arena.

The Regional Housing Needs Plan was developed through multiple iterations and incorporated consideration of several allocation factors, including population trends, employment opportunities, land availability, and development constraints. Throughout the process, participating jurisdictions provided documentation to HCD describing local development constraints affecting housing production. Water availability and water supply reliability were identified by multiple jurisdictions as significant constraints affecting housing development within the region.

The RHNA allocations adopted for Mendocino County apply to the planning period between August 15, 2019, and August 17, 2027. Since adoption of the Regional Housing Needs Plan, the County has reported incremental progress toward meeting its allocation across multiple income categories.

Table 7-1: Mendocino County RHNA Allocations

| Income Level | | RHNA Allocation | Projection Period - 01/01/2019-08/14/2019 | 2019 | 2020 | 2021 | 2022 | Total Units to Date (All Years) | Total Remaining RHNA |
|--------------|---------------------|-----------------|---|------|------|------|------|---------------------------------|----------------------|
| Very Low | Deed Restricted | 291 | -- | -- | 39 | -- | 21 | 125 | 166 |
| | Non-Deed Restricted | | -- | -- | -- | 65 | -- | | |
| Low | Deed Restricted | 179 | -- | -- | -- | -- | -- | 21 | 158 |
| | Non-Deed Restricted | | -- | - | -- | 21 | -- | | |
| Moderate | Deed Restricted | 177 | -- | -- | -- | -- | -- | 156 | 21 |

| Income Level | | RHNA Allocation | Projection Period - 01/01/2019-08/14/2019 | 2019 | 2020 | 2021 | 2022 | Total Units to Date (All Years) | Total Remaining RHNA |
|-----------------------------|---------------------|-----------------|---|------|------|------|------|---------------------------------|----------------------|
| | Non-Deed Restricted | | 4 | -- | -- | -- | -- | | |
| Above Moderate | | 702 | 46 | 40 | 67 | 51 | 58 | 262 | 440 |
| Total RHNA | | 1,349 | | | | | | | |
| Total Units | | | 50 | 60 | 149 | 186 | 119 | 564 | 785 |
| Extremely Low-Income Units* | | 145 | | | 15 | 26 | 21 | 62 | 83 |

Source: HCD 2024.

With respect to the City of Point Arena, statewide housing policy continues to encourage increased housing production across California, including in coastal communities. While coastal jurisdictions are subject to additional regulatory oversight through the California Coastal Commission and associated Local Coastal Program requirements, state housing mandates apply broadly across jurisdictions. Although the City currently has limited development capacity under existing regulatory and infrastructure constraints, evolving state housing legislation could expand opportunities for incremental housing development that contributes to the State's broader housing objectives. The RHNA allocation for Point Arena is 38 units.

Additional Recent State Housing Legislation

In addition to legislation promoting ADUs, the California Legislature has adopted a number of housing-related laws in recent years aimed at addressing the statewide housing affordability crisis and increasing housing production. These measures are intended to reduce regulatory barriers, increase allowable residential density, and streamline the approval process for qualifying housing developments.

- Senate Bill (SB) 9 (2021) - Authorizes property owners to subdivide an existing single-family residential lot into two parcels and construct up to two residential units on each parcel, allowing a potential maximum of four units where previously only a single-family residence was permitted. SB 9 also requires local agencies to ministerially approve qualifying projects that meet specified development and design standards, thereby limiting discretionary review.
- SB 10 (2021) - Establishes voluntary process allowing local governments to adopt ordinances increasing residential density to as many as 10 dwelling units per parcel in transit-rich areas or urban infill locations. Adoption of such ordinances is exempt from review under the California Environmental Quality Act (CEQA). SB 10 is intended to provide local jurisdictions with a tool to facilitate higher-density housing development in appropriate areas.
- SB 35 (2017) - Applies to jurisdictions that are not meeting their Regional Housing Needs Assessment (RHNA) production targets for certain income categories. SB 35 amended [California Government Code \(GC\) §65913.4](#)³⁴ to require local agencies to provide a streamlined, ministerial approval process for qualifying multifamily housing developments that meet specified affordability and labor standards. The legislation is intended to accelerate housing production by reducing discretionary review and approval timelines.

³⁴ GC §65913.4 (2024) can be found here: [California Code, GOV 65913.4](#).

Collectively, these and similar state housing laws reflect a broader statewide policy direction toward increasing housing supply through regulatory reform, streamlined permitting processes, and expanded residential density allowances. While the practical effects of these policies may vary by jurisdiction depending on local conditions, they have the potential to influence future housing development patterns within communities throughout Mendocino County, including the City of Point Arena

7.4 Appendix D – City Financial Audits

**CITY OF POINT ARENA
CALIFORNIA**
ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024



Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Suite #5
Morgan Hill, CA 95037

CITY OF POINT ARENA, CALIFORNIA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| FINANCIAL SECTION: | |
| Independent Auditor’s Report | 1 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position..... | 5 |
| Statement of Activities | 6 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 7 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position..... | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 9 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities - Governmental Activities | 10 |
| Proprietary Funds – Enterprise Funds: | |
| Statement of Net Position | 11 |
| Statement of Revenue, Expenses and Changes in Net Position..... | 12 |
| Statement of Cash Flows | 13 |
| Notes to the Basic Financial Statements..... | 15 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - General Fund | 34 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - Revolving Loan Fund | 35 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - State Gasoline Tax Fund..... | 36 |
| OTHER INDEPENDENT AUDITOR’S REPORTS: | |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 38 |
| FINDINGS AND RECOMMENDATIONS: | |
| Schedule of Findings and Responses..... | 41 |

Financial Section



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Point Arena, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Point Arena (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City'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, and each major fund of the City of Point Arena, as of June 30, 2024, 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 (GAAS) 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 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.

Emphasis of a Matter - Substantial Doubt About the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 10 to the financial statements, the City has suffered recurring losses from operations, significant declines in fund balances and net position, a reduction of operating cash to nominal levels, budget overages, deficit spending, and has stated that substantial doubt exists about the City's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



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 the City'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 GAAS 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 GAAS 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'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 the City'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

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

Accounting principles generally accepted in the United States of America require that the budgetary schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2025 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

C & A LLP

September 11, 2025
Morgan Hill, California

Basic Financial Statements

CITY OF POINT ARENA, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2024

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-------------------------|
| ASSETS | | | |
| Cash and investments | \$ 206,708 | \$ - | \$ 206,708 |
| Accounts receivable | 8,860 | 26,580 | 35,440 |
| Internal balances | 490,151 | (490,151) | - |
| Notes receivables | 56,481 | - | 56,481 |
| Capital assets: | | | |
| Nondepreciable | 348,995 | 298,190 | 647,185 |
| Depreciable, net | 3,847,657 | 917,665 | 4,765,322 |
| Total Assets | <u>\$ 4,958,852</u> | <u>\$ 752,284</u> | <u>\$ 5,711,136</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 40,397 | \$ 13,669 | \$ 54,066 |
| Accrued payroll and benefits | 31,101 | - | 31,101 |
| Line of credit | 310,440 | - | 310,440 |
| Total Liabilities | <u>\$ 381,938</u> | <u>\$ 13,669</u> | <u>\$ 395,607</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 4,196,652 | \$ 1,215,855 | \$ 5,412,507 |
| Restricted for lower income assistance | 400,685 | - | 400,685 |
| Unrestricted | (20,423) | (477,240) | (497,663) |
| Total Net Position | <u>\$ 4,576,914</u> | <u>\$ 738,615</u> | <u>\$ 5,315,529</u> |

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

CITY OF POINT ARENA, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Change in Net Position | | Total |
|---------------------------------------|--------------|-------------------------|--|--|---|-----------------------------|--------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| General government | \$ 484,925 | \$ 13,991 | \$ 71,657 | \$ - | \$ (399,277) | | \$ (399,277) |
| Public safety | 132,049 | - | 119,883 | - | (12,166) | | (12,166) |
| Streets and public works | 70,241 | - | - | - | (70,241) | | (70,241) |
| Community development | 207,039 | - | 275,841 | 4,141 | 72,943 | | 72,943 |
| Culture and recreation | 114,924 | - | 113,465 | - | (1,459) | | (1,459) |
| Interest & Fees | 26,798 | - | - | - | (26,798) | | (26,798) |
| Depreciation unallocated | 190,361 | - | - | - | (190,361) | | (190,361) |
| Total Governmental Activities | 1,226,337 | 13,991 | 580,846 | 4,141 | (627,359) | | (627,359) |
| Business-Type Activities: | | | | | | | |
| Wastewater | 365,782 | 273,309 | - | 34,929 | | \$ (57,544) | (57,544) |
| Pier | 164,427 | 47,119 | - | - | | (117,308) | (117,308) |
| Total Business-Type Activities | 530,209 | 320,428 | - | 34,929 | | (174,852) | (174,852) |
| Total | \$ 1,756,546 | \$ 334,419 | \$ 580,846 | \$ 39,070 | (627,359) | (174,852) | (802,211) |
| General revenues and transfers | | | | | | | |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 59,862 | - | 59,862 |
| Gas taxes | | | | | 29,903 | - | 29,903 |
| Sales taxes | | | | | 139,611 | - | 139,611 |
| Transient occupancy taxes | | | | | 101,405 | - | 101,405 |
| Franchise taxes | | | | | 18,762 | - | 18,762 |
| Other taxes | | | | | 368 | - | 368 |
| VLF Swap | | | | | 25,714 | - | 25,714 |
| Investment earnings | | | | | 1,447 | - | 1,447 |
| Miscellaneous | | | | | 60,872 | - | 60,872 |
| Total general revenues and transfers | | | | | 437,944 | - | 437,944 |
| Change in Net Position | | | | | (189,415) | (174,852) | (364,267) |
| Net Position - Beginning | | | | | 4,766,329 | 913,467 | 5,679,796 |
| Net Position - Ending | | | | | \$ 4,576,914 | \$ 738,615 | \$ 5,315,529 |

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

CITY OF POINT ARENA, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

| | General Fund | Revolving Loan Fund | State Gasoline Tax Fund | Capital Project Fund | Total Governmental Funds |
|--|-------------------|---------------------------|----------------------------------|----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 206,708 | \$ - | \$ - | \$ - | \$ 206,708 |
| Accounts Receivable | 8,860 | - | - | - | 8,860 |
| Notes Receivable | - | 56,481 | - | - | 56,481 |
| Due from Other Funds | 121,560 | - | - | - | 121,560 |
| Advances to Other Funds | 65,464 | 424,687 | - | - | 490,151 |
| Total Assets | <u>\$ 402,592</u> | <u>\$ 481,168</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 883,760</u> |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 20,297 | \$ 20,100 | \$ - | \$ - | \$ 40,397 |
| Accrued Payroll and Benefits | 27,199 | 3,902 | - | - | 31,101 |
| Line of Credit | - | - | - | 310,440 | 310,440 |
| Due to Other Funds | - | - | - | 121,560 | 121,560 |
| Total Liabilities | <u>47,496</u> | <u>24,002</u> | <u>-</u> | <u>432,000</u> | <u>503,498</u> |
| DEFERRED INFLOWS OF REOURCES | | | | | |
| Unavailable Resources | - | 56,481 | - | - | 56,481 |
| FUND BALANCE | | | | | |
| Restricted for: | | | | | |
| Lower Income Assistance | - | 400,685 | - | - | 400,685 |
| Assigned for: | | | | | |
| Self-Insurance | 15,000 | - | - | - | 15,000 |
| Skate Park | 8,296 | - | - | - | 8,296 |
| Unassigned | 331,800 | - | - | (432,000) | (100,200) |
| Total Fund Balances | <u>355,096</u> | <u>400,685</u> | <u>-</u> | <u>(432,000)</u> | <u>323,781</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 402,592</u> | <u>\$ 481,168</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 883,760</u> |

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

**CITY OF POINT ARENA, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET
POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2024**

| | | |
|--|----|---------|
| Fund Balance - Total Governmental Funds | \$ | 323,781 |
|--|----|---------|

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS

Capital assets net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

| | | |
|--------------------------|--------------------|-----------|
| Capital assets | \$ 6,868,552 | |
| Accumulated depreciation | <u>(2,671,900)</u> | 4,196,652 |

LONG-TERM NOTES RECEIVABLES

Notes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

| | | |
|--|--|---------------|
| | | <u>56,481</u> |
|--|--|---------------|

| | | |
|---|-----------|-------------------------|
| Net Position - Governmental Activities | \$ | <u>4,576,914</u> |
|---|-----------|-------------------------|

**CITY OF POINT ARENA, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | General Fund | Revolving Loan Fund | State Gasoline Tax Fund | Capital Project Fund | Total Governmental Funds |
|--|-------------------|---------------------------|----------------------------------|----------------------------|--------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 59,862 | \$ - | \$ - | \$ - | \$ 59,862 |
| Gas Taxes | 2,627 | - | 27,276 | - | 29,903 |
| Sales Taxes | 139,611 | - | - | - | 139,611 |
| Transient Occupancy Taxes | 101,405 | - | - | - | 101,405 |
| VLF Swap | 25,714 | - | - | - | 25,714 |
| Other Taxes | 368 | - | - | - | 368 |
| Intergovernmental | 459,516 | 121,330 | - | 4,141 | 584,987 |
| Licenses, Permits & Fees | 13,991 | - | - | - | 13,991 |
| Franchise Fees | 18,762 | - | - | - | 18,762 |
| Use of Money and Property: | | | | | |
| Interest Income | 282 | 17,578 | - | - | 17,860 |
| Other | 60,872 | - | - | - | 60,872 |
| Total Revenues | <u>883,010</u> | <u>138,908</u> | <u>27,276</u> | <u>4,141</u> | <u>1,053,335</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 472,241 | 12,419 | - | - | 484,660 |
| Public Safety | 132,049 | - | - | - | 132,049 |
| Streets and Public Works | 56,979 | - | 5,946 | - | 62,925 |
| Community Development | 78,939 | 108,000 | - | - | 186,939 |
| Culture and Recreation | 114,924 | - | - | - | 114,924 |
| Capital Outlay | 265 | 20,100 | - | 7,316 | 27,681 |
| Debt service: | | | | | |
| Interest & Fees | - | - | - | 26,798 | 26,798 |
| Total Expenditures | <u>855,397</u> | <u>140,519</u> | <u>5,946</u> | <u>34,114</u> | <u>1,035,976</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>27,613</u> | <u>(1,611)</u> | <u>21,330</u> | <u>(29,973)</u> | <u>17,359</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 21,330 | - | - | 5,075 | 26,405 |
| Transfers (out) | <u>(5,075)</u> | <u>-</u> | <u>(21,330)</u> | <u>-</u> | <u>(26,405)</u> |
| Total Other Financing Sources (Uses) | <u>16,255</u> | <u>-</u> | <u>(21,330)</u> | <u>5,075</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | 43,868 | (1,611) | - | (24,898) | 17,359 |
| BEGINNING FUND BALANCES | <u>311,228</u> | <u>402,296</u> | <u>-</u> | <u>(407,102)</u> | <u>306,422</u> |
| ENDING FUND BALANCES | <u>\$ 355,096</u> | <u>\$ 400,685</u> | <u>\$ -</u> | <u>\$ (432,000)</u> | <u>\$ 323,781</u> |

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

**CITY OF POINT ARENA, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,359

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

LONG-TERM RECEIVABLES

In governmental funds, notes receivables are deferred because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities Unavailable revenue

(16,413)

CAPITAL ASSET TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Current Year Depreciation

(190,361)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (189,415)

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

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2024**

| | Wastewater Enterprise Fund | Pier Enterprise Fund | Total |
|----------------------------------|----------------------------------|----------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Accounts receivable | \$ 18,218 | \$ 8,362 | \$ 26,580 |
| Noncurrent Assets: | | | |
| Capital assets, net | 223,752 | 992,103 | 1,215,855 |
| Total Assets | <u>\$ 241,970</u> | <u>\$ 1,000,465</u> | <u>\$ 1,242,435</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accrued payroll and benefits | \$ 6,289 | \$ 424 | \$ 6,713 |
| Accounts Payable | 6,607 | 349 | 6,956 |
| Total current liabilities | 12,896 | 773 | 13,669 |
| Noncurrent liabilities: | | | |
| Advances from other funds | 126,682 | 363,469 | 490,151 |
| Total Liabilities | <u>\$ 139,578</u> | <u>\$ 364,242</u> | <u>\$ 503,820</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 223,752 | \$ 992,103 | \$ 1,215,855 |
| Unrestricted | <u>(121,360)</u> | <u>(355,880)</u> | <u>(477,240)</u> |
| Total Net Position | <u>\$ 102,392</u> | <u>\$ 636,223</u> | <u>\$ 738,615</u> |

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

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Wastewater Enterprise Fund | Pier Enterprise Fund | Total |
|---|----------------------------------|----------------------------|------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 273,309 | 47,119 | \$ 320,428 |
| Total Operating Revenues | 273,309 | 47,119 | 320,428 |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 126,533 | 77,045 | 203,578 |
| Maintenance and operations | 123,423 | 50,263 | 173,686 |
| Professional fees | 65,069 | 1,330 | 66,399 |
| Administration | 31,631 | 256 | 31,887 |
| Depreciation | 17,808 | 35,533 | 53,341 |
| Total Operating Expenses | 364,464 | 164,427 | 528,891 |
| Operating Income | (91,155) | (117,308) | (208,463) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental | 34,929 | - | 34,929 |
| Interest expense | (1,318) | - | (1,318) |
| Total Nonoperating Revenues (Expenses) | 33,611 | - | 33,611 |
| Change in Net Position | (57,544) | (117,308) | (174,852) |
| BEGINNING NET POSITION | 159,936 | 753,531 | 913,467 |
| ENDING NET POSITION | \$ 102,392 | \$ 636,223 | \$ 738,615 |

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

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Wastewater Enterprise Fund | Pier Enterprise Fund | Total |
|---|----------------------------------|----------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 278,750 | \$ 76,905 | \$ 355,655 |
| Payments to suppliers | (240,184) | (87,898) | (328,082) |
| Payments to employees | (124,495) | (80,927) | (205,422) |
| Net cash provided (used) by operating activities | <u>(85,929)</u> | <u>(91,920)</u> | <u>(177,849)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Receipts from (payments for) interfund loans (due to-from/advances) | 52,318 | 91,920 | 144,238 |
| Interest paid on interfund loans and advances | (1,318) | - | (1,318) |
| Net cash provided (used) by noncapital financing activities | <u>51,000</u> | <u>91,920</u> | <u>142,920</u> |
| CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES | | | |
| Proceeds from capital grants | 34,929 | - | 34,929 |
| Net cash provided (used) by capital related financing activities | <u>34,929</u> | <u>-</u> | <u>34,929</u> |
| Cash and Investments - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash and Investments - End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of Operating Income to Cash Flows | | | |
| from Operating Activities: | | | |
| Operating Income | \$ (91,155) | \$ (117,308) | \$ (208,463) |
| Adjustments to reconcile operating income to cash flows | | | |
| from operating activities: | | | |
| Depreciation | 17,808 | 35,533 | 53,341 |
| Change in assets and liabilities: | | | |
| Accounts receivable | 5,441 | 30,086 | 35,527 |
| Accrued payroll and benefits | 2,038 | (3,882) | (1,844) |
| Unearned revenue | - | (300) | (300) |
| Accounts payable and other accrued expenses | (20,061) | (36,049) | (56,110) |
| Cash Flows From Operating Activities | <u>\$ (85,929)</u> | <u>\$ (91,920)</u> | <u>\$ (177,849)</u> |

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

Notes to Basic Financial Statements

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Financial Reporting Entity

The City of Point Arena (City) was incorporated 1908, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public works, planning and zoning, building regulation, general administrative services, wastewater, pier and public safety (provided by Mendocino County Sheriff).

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales and transient occupancy taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete or blended presentation.

Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board ("GASB") is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units, as applicable. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and each segment of the business-type activities of the City. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meet the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds, as applicable.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Major Funds

GASB defines major funds and requires that the City's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Revolving Loan Fund – The Revolving Loan Fund is used to account for revolving loans given to the lower income sector of the community for housing improvements, new construction and economic stimulus.

State Gasoline Tax Fund – The State Gasoline Tax Fund is used to account for gasoline tax and other State transportation related funds, including STIP exchange funds and traffic congestion relief funds. These resources are restricted for street maintenance and improvements.

Capital Projects Fund – The Capital Project Fund is used to account for capital projects funded by grants and capital contributions expended for various street and capital improvement projects.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The City also reports the following Proprietary funds:

Enterprise Funds – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The reporting entity includes the following enterprise funds that are reported as major funds:

- **Wastewater Fund** – The Wastewater Fund accounts for the operating, maintenance, and capital improvement of the wastewater reclamation facility, including collection, treatment, and distribution.
- **Pier Fund** – The Pier Fund accounts for the operation, maintenance, and capital improvements of the municipal pier facility. The Pier facility provides services for commercial and recreational user groups.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Property taxes, franchise 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 year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted Net Position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs followed by general revenues as necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities. The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance including those applicable to accounting and reporting for proprietary operations. In December of 2010, GASB issued GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements. All proprietary funds are accounted for using the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of California statutes authorizes the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, collateralized, non-negotiable certificates of deposits, commercial paper rated A-1/P-1, medium-term corporate notes rated A or its equivalent or better by Moody's or Standard & Poor's, asset backed corporate notes, bankers' acceptances, mutual funds, and the State Treasurer's investment pool (Local Agency Investment Fund).

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Investments

Surplus funds are invested by the City in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the City for special purposes and general operations.

LAIF issues a separate comprehensive annual financial report. Copies of the LAIF annual report may be obtained from the Local Agency Investment Fund, PO Box 942809, Sacramento, CA 94209-0001.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available.

Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the governmentwide financial statements in accordance with the accrual basis.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore, an allowance for doubtful accounts is unnecessary.

Prepaid Items

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. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

As required by GASB, the City depreciates capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The City depreciates using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The City has assigned the useful lives listed below to capital assets:

| | |
|----------------------------|-------------|
| Buildings and Improvements | 20-50 years |
| Pier and Infrastructure | 20-50 years |
| Machinery and Equipment | 5-20 years |
| Computer software | 5 years |

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. Capital assets may be acquired using federal and state grants, contributions from developers, and contributions or grants from other governments. GASB 34 requires that these contributed assets be accounted for as revenue at the time they are contributed.

In the fund financial statements, capital assets arising from transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Compensated Absences

Employees accrue personal leave, holiday, administrative leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences. In order to control this future liability, compensatory time off, administrative leave, and floating holidays must be used by staff during the calendar year in which they are earned. At year end, employees will be paid for any comp time, administrative leave, or floating holidays earned, but not used during the year. No comp time, administrative leave, or floating holidays earned may be carried into a new calendar year.

Unearned Revenue

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items reported as a deferred outflow of resources.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources in the fund financial statements. The item is unavailable revenues, which constitutes amounts reported that do not meet the 60 day criteria for accrual in the fund financial statements.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balances

The City does not have a policy identifying a minimum unassigned fund balance. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the remaining fund balances are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Manager.

Unassigned includes fund balances within the funds which have not been classified within the above-mentioned categories.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Property Tax Levy, Collection and Maximum Rates

State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

The County of Mendocino assesses properties, bills for and collects property taxes on the following schedule:

| | <u>Secured</u> | <u>Unsecured</u> |
|------------------------------|---|-------------------------|
| Lien dates | March 1 | N/A |
| Levy dates | September 1 | September 1 |
| Due dates (delinquent as of) | 50% on November 1 (December 10) 50% on February 1 (April 10) | March 1 (August 31) |

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

Franchise Agreements

The City has entered into several agreements to provide services to persons residing inside the City limits. A description of these franchise agreements is as follows:

1. The City has granted Pacific Gas and Electric Company a franchise for electric transmission and distribution.
2. The City has granted Pacific Coast Disposal a franchise for residential and commercial garbage collection and disposal.

Interfund Activity

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/advances from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances and the net amount of transfers between governmental and business-type activities, which are reported as Transfers-In or Transfers-Out. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Advances between funds and due from/to other funds that are not restricted are offset by a nonspendable fund balance in applicable City funds to indicate the extent to which they are not available for appropriation and are not expendable available financial resources.

Budgets and Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2024. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Description of Risk Management

The City is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance for all risks except personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

Implemented Accounting Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This statement did not have a material impact on the financial statements.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Upcoming Accounting and Reporting Changes

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 101, Compensated Absences

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, Certain Risk Disclosures

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management’s discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2024, cash and investments were reported in the financial statements as follows:

| | Government Wide Statement of Net Position | | |
|--|--|-----------------------------|-------|
| | Governmental Activities | Business-Type Activities | Total |
| | Cash and investments | \$ 206,708 | \$ - |

Cash and investments consisted of the following as of June 30, 2024:

| | |
|--------------------------------------|-------------------|
| Deposits: | |
| Deposits with financial institutions | \$ 205,118 |
| Investments: | |
| Local Agency Investment Fund | 1,590 |
| Total cash and investments | \$ 206,708 |

A. *Cash Deposits*

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest and places the City ahead of general creditors of the institution.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The fair value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$220,948 at June 30, 2024 and were different from carrying amounts due to deposits in transit and outstanding checks. The banal balances were fully insured and collateralized by securities held by pledging financial institutions.

B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques with three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The City's investments were not subject to levelling.

C. Investment Policies

City Investment Policy

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. To address interest rate risk, credit risk, and concentration of credit risk, City invests in the State of California Local Agency Investment Fund (LAIF).

D. External Investment Pool

The City's investments with LAIF at June 30, 2024, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

E. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to mitigate interest rate risk by investing in LAIF.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's total investment portfolio was in LAIF as of June 30, 2024 to reduce the City's exposure to credit risks.

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2024, the City had no investments in any one issuer (other than external investment pools which are not applicable) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, the City's investments had the following maturities:

| Investment Type | 12 Months or Less | Fair Value | Fair Value Input Levels |
|-------------------------------|----------------------|------------|----------------------------|
| Local Agency Investment Funds | \$ 1,590 | \$ 1,590 | n/a |

NOTE 3 - LONG-TERM NOTES RECEIVABLE/UNEARNED REVENUE

The City had the following long-term notes receivable as of June 30, 2024:

| Description | Interest Rate | Loan Date | Maturity Date | Original Loan Amount | Balance |
|------------------------|------------------|--------------|------------------|----------------------------|-----------|
| Residential Loan | 2.0% | 1996 | 2032 | \$ 92,470 | \$ 17,575 |
| Residential Loan | 3.0% | 1996 | 2032 | 92,470 | 15,431 |
| Residential Loan | 1.0% | 2022 | 2032 | 29,350 | 23,475 |
| Total Notes Receivable | | | | \$ 369,290 | \$ 56,481 |

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Revolving loans are given to the lower income sector of the community for housing improvements, new construction and economic stimulus. Notes receivable are not resources currently available for expenditures and are not reported in the governmental funds balance sheet.

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Amounts due to or due from other funds reflect interfund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

As of June 30, 2024, interfund receivables and payables consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|----------------------|----------------------------|------------------------------|
| General Fund | \$ 121,560 | \$ - |
| Capital Project Fund | - | 121,560 |
| Total Due To/From | \$ 121,560 | \$ 121,560 |
| | Advances to Other Funds | Advances from Other Funds |
| General Fund | \$ 65,464 | \$ - |
| Revolving Loan Fund | 424,687 | - |
| Pier Fund | - | 363,469 |
| Wastewater Fund | - | 126,682 |
| Total Advances | \$ 490,151 | \$ 490,151 |

Interfund advances from the Revolving Loan Fund to the Wastewater Fund include a 2012 sludge loan of \$128,626 bearing interest at 3.25% over 15 years. The balance was \$21,237 as of year-end after current year interest of \$1,318 and principal of \$9,652.

Transfers

Resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments and operating expenses. As of June 30, 2024, the transferred interfund consisted of the following:

| | Transfers In | Transfers Out |
|-------------------------|-----------------|------------------|
| General Fund | \$ 21,330 | \$ - |
| State Gasoline Tax Fund | - | 21,330 |
| Totals | \$ 21,330 | \$ 21,330 |

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - CAPITAL ASSETS

Changes in the governmental activity capital assets during the fiscal year were as follows:

| Capital Assets | Balance July 01, 2023 | Additions | Deletions/ Adjustments | Balance June 30, 2024 |
|---|--------------------------|--------------|---------------------------|--------------------------|
| Non-depreciable: | | | | |
| Land | \$ 344,995 | \$ - | \$ - | \$ 344,995 |
| Construction in Progress | 4,000 | - | - | 4,000 |
| Total Non-Depreciable | 348,995 | - | - | 348,995 |
| Depreciable: | | | | |
| Buildings and Improvements | 229,325 | - | - | 229,325 |
| Machinery and Equipment | 135,586 | - | - | 135,586 |
| Infrastructure | 6,154,646 | - | - | 6,154,646 |
| Total Depreciable | 6,519,557 | - | - | 6,519,557 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (130,834) | (8,648) | - | (139,482) |
| Machinery and Equipment | (73,875) | (6,557) | - | (80,432) |
| Infrastructure | (2,276,830) | (175,156) | - | (2,451,986) |
| Total Accumulated Depreciation | (2,481,539) | (190,361) | - | (2,671,900) |
| Total Depreciable PPE - Net | 4,038,018 | (190,361) | - | 3,847,657 |
| Total PPE - Net | \$ 4,387,013 | \$ (190,361) | \$ - | \$ 4,196,652 |

Changes in the business-type activity capital assets during the fiscal year were as follows:

| Capital Assets | Balance July 01, 2023 | Additions | Deletions/ Adjustments | Balance June 30, 2024 |
|---|--------------------------|-------------|---------------------------|--------------------------|
| Non-depreciable: | | | | |
| Land | \$ 298,190 | \$ - | \$ - | \$ 298,190 |
| Total Non-Depreciable | 298,190 | - | - | 298,190 |
| Depreciable: | | | | |
| Pier | 2,990,014 | - | - | 2,990,014 |
| Buildings and Improvements | 1,550,274 | - | - | 1,550,274 |
| Machinery and Equipment | 437,414 | - | - | 437,414 |
| Total Depreciable | 4,977,702 | - | - | 4,977,702 |
| Less Accumulated Depreciation for: | | | | |
| Pier | (2,185,236) | (35,533) | - | (2,220,769) |
| Buildings and Improvements | (1,490,403) | (3,308) | - | (1,493,711) |
| Machinery and Equipment | (331,057) | (14,500) | - | (345,557) |
| Total Accumulated Depreciation | (4,006,696) | (53,341) | - | (4,060,037) |
| Total Depreciable PPE - Net | 971,006 | (53,341) | - | 917,665 |
| Total PPE - Net | \$ 1,269,196 | \$ (53,341) | \$ - | \$ 1,215,855 |

Depreciation expense related to governmental activities of \$190,361 was not allocated by major program or function for the fiscal year ended June 30, 2024, as shown in the statement of activities.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Depreciation expense related to business-type activities was charged to functions and programs based on their usage of the related assets.

The amount allocated to each function or program is as follows:

| | |
|----------------------------|------------------|
| Wastewater | \$ 25,851 |
| Pier | <u>27,490</u> |
| Total Depreciation Expense | <u>\$ 53,341</u> |

NOTE 6 - LINE OF CREDIT

In April of 2023, the City entered into a Line of Credit agreement with the Redwood Credit Union in an amount not to exceed \$1,500,000 to act as bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit was to be paid through receipt of California State grant funding specific to the projects. The line of credit bears interest at Prime plus 1% on outstanding balances. The balance as of June 30, 2024, was \$310,440.

NOTE 7 - FUND BALANCES

Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As of June 30, 2024, fund balances were classified as follows:

Restricted

Lower Income Assistance

Fund balances in the Revolving Loan Fund were restricted for lower income sector assistance for housing, new construction, and economic stimulus

Assigned

Self-Insurance

Fund balances in the General Fund were assigned for liability claims made against the City.

Skate Park

Fund balances in the General Fund were assigned for the construction, improvements and repairs at the skate park.

NOTE 8 - RISK MANAGEMENT AND JOINT VENTURES (JOINT POWERS AGREEMENT)

The City is currently a member of the Public Agency Risk Sharing Authority of California (PARSAC). Under PARSAC, the City is provided the following insurance coverage: Worker compensation and employers' liability coverage for bodily injury by accident or by disease, including resulting death, arising out of or in the course of the employee's employment, with the City. Liability coverage for bodily injury, property damage, personal injury or public official's errors and omissions.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The City does not have an equity interest in PARSAC. PARSAC exercises full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of PARSAC are not those of the City, although the City retains an ongoing financial interest or an ongoing financial responsibility.

Audited financial information of PARSAC, as of and for the year ended June 30, 2024, can be found at <http://www.parsac.org/>.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The City participates in federal and state grant programs. These are subject to examination by grantors and the amount, if any, of disallowed expenditures cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising from the normal course of business. The City Attorney believes there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

NOTE 10 - LACK OF GOING CONCERN

The City has not properly monitored capital projects and determined the proper funding needs for those projects. In addition, no reserve or financing component was included in these projects and consultants continually exceeded project budgets without proper authorization. As a result, the City's operating cash reserves have been reduced to nominal levels and management has used the temporary line of credit for cash deficits, threatening the City's ability to remain a going concern. Management has discussed the following options with Council members in order to cure these deficits and reestablish operating cash reserves:

- 1) The City may incur additional debt to rehabilitate a city-owned property so the rental income derived from the property can be dedicated to the debt repayment. This will require a market valuation of the property and an analysis of improvement costs and rental value to determine the feasibility of the plan.
- 2) The City should also consider acquiring a new fund accounting software to account for all activities and institute purchase orders to manage both vendor purchases and consultant costs. Consultant performance will also need to be measured against full funding requirements before a contract is approved.

Required Supplementary Information

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|---------------------|-------------------|---|
| REVENUES | | | | |
| Property Taxes | \$ 75,000 | \$ 75,000 | \$ 59,862 | \$ (15,138) |
| Motor Vehicle In-lieu Tax | 30,000 | 30,000 | 2,627 | (27,373) |
| Sales Taxes | 140,000 | 140,000 | 139,611 | (389) |
| Transient Occupancy Taxes | 198,000 | 198,000 | 101,405 | (96,595) |
| VLF Swap | - | - | 25,714 | 25,714 |
| TOT Measure AC | 25,000 | 25,000 | - | (25,000) |
| Other Taxes | 5,000 | 5,000 | 368 | (4,632) |
| Intergovernmental | 255,000 | 255,000 | 459,516 | 204,516 |
| Licenses, Permits & Fees | 26,000 | 26,000 | 13,991 | (12,009) |
| Franchise Fees | 12,000 | 12,000 | 18,762 | 6,762 |
| Use of Money and Property: | | | | |
| Interest Income | 1,000 | 1,000 | 282 | (718) |
| Use of Property | 3,000 | 3,000 | - | (3,000) |
| Other | 50,000 | 50,000 | 60,872 | 10,872 |
| Total Revenues | 820,000 | 820,000 | 883,010 | 63,010 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 480,000 | 480,000 | 477,316 | 2,684 |
| Public Safety | 120,000 | 120,000 | 132,049 | (12,049) |
| Streets and Public Works | 80,000 | 80,000 | 56,979 | 23,021 |
| Community Development | 22,000 | 22,000 | 78,939 | (56,939) |
| Culture and Recreation | 80,000 | 80,000 | 114,924 | (34,924) |
| Capital Outlay | 75,000 | 75,000 | 265 | 74,735 |
| Total Expenditures | 857,000 | 857,000 | 860,472 | (3,472) |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (37,000) | (37,000) | 22,538 | 59,538 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | - | - | 21,330 | 21,330 |
| Operating Transfers Out | - | (77,007) | - | 77,007 |
| Total Other Financing Sources (Uses) | - | (77,007) | 21,330 | 98,337 |
| NET CHANGES IN FUND BALANCE | \$ (37,000) | \$ (114,007) | 43,868 | \$ 157,875 |
| BEGINNING FUND BALANCE | | | 311,228 | |
| ENDING FUND BALANCE | | | \$ 355,096 | |

Notes:

The expenditures in excess of appropriations as noted above were offset by unexpended appropriations in other categories and available fund balance.

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
REVOLVING LOAN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|-----------------|-------------------|---|
| REVENUES | | | | |
| Investment Income: | | | | |
| Interest Income | \$ 20,000 | \$ 20,000 | \$ 17,578 | \$ (2,422) |
| Use of Property | - | - | 121,330 | 121,330 |
| Total Revenues | <u>20,000</u> | <u>20,000</u> | <u>138,908</u> | <u>118,908</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 20,000 | 20,000 | 12,419 | 7,581 |
| Community Development | - | - | 108,000 | (108,000) |
| Capital Outlay | - | - | 20,100 | (20,100) |
| Total Expenditures | <u>20,000</u> | <u>20,000</u> | <u>140,519</u> | <u>(120,519)</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>(1,611)</u> | <u>(1,611)</u> |
| NET CHANGES IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>(1,611)</u> | <u>\$ (1,611)</u> |
| BEGINNING FUND BALANCE | | | <u>402,296</u> | |
| ENDING FUND BALANCE | | | <u>\$ 400,685</u> | |

Notes:

The expenditures in excess of appropriations as noted above were offset by unexpended appropriations in other categories and/or available fund balance.

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
STATE GASOLINE TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|-----------------|-------------|---|
| REVENUES | | | | |
| Gas Taxes | \$ 40,000 | \$ 40,000 | \$ 27,276 | \$ (12,724) |
| Total Revenues | 40,000 | 40,000 | 27,276 | (12,724) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Streets and Public Works | - | - | 5,946 | (5,946) |
| Total Expenditures | - | - | 5,946 | (5,946) |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 40,000 | 40,000 | 21,330 | (18,670) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | - | - | - | - |
| Operating Transfers Out | (40,000) | (40,000) | (21,330) | 18,670 |
| Total Other Financing Sources (Uses) | (40,000) | (40,000) | (21,330) | 18,670 |
| NET CHANGES IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| BEGINNING FUND BALANCE | | | - | |
| ENDING FUND BALANCE | | | <u>\$ -</u> | |

Notes:

The expenditures in excess of appropriations as noted above were offset by revenues in excess of expenditures.

Other Independent Auditor's Reports



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members of the City Council
City of Point Arena

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Point Arena (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated September 11, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, 2024-009 that we consider to be material weaknesses



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as item 2024-002.

City of Point Arena's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

September 11, 2025
Morgan Hill, California

Schedule of Findings and Response

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Finding 2024-001: Cash Receipts and Lack of Segregation of Duties (Material Weakness) – Repeat Finding

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the City’s assets and ensure accurate financial reporting.

Condition

During our cash receipts testing, we found that the City does not complete cash receipts forms for every transaction and revenue collection is not routinely monitored at the Pier by a person that is independent of Pier operations.

Cause

The City should review and update their written procedures for processing cash receipts at the Pier. There is also a lack of segregation of duties due to the size of the City and a general lack of resources.

Effect

There is an increased risk that Pier transactions may take place without proper accountability and that revenue may go uncollected or unreported. Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation

Management and the Council should consider a formal evaluation of their risks associated with this lack of duties segregation over Pier cash collections. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the city might consider soliciting the assistance of independent consultants to perform certain functions including daily balancing and monthly reconciliations.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-002: Budget Tracking and Monitoring (Material Weakness) – Repeat Finding

Criteria

The City Council establishes budgets for the General Fund and all Special Revenue Funds and budgetary control is legally maintained at the fund level for these funds.

Condition

During our review of the budget to actual reports, we noticed that the City’s actual expenditures exceeded appropriations in several different government functions and at the fund object level.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

For the fiscal year ended June 30, 2024, the City exceeded legally adopted budget appropriations as follows:

| | |
|---|-----------|
| General Fund – Public Safety | \$12,049 |
| General Fund – Community Development | \$56,939 |
| General Fund – Culture and Recreation | \$34,924 |
| Revolving Loan Special Revenue Fund | \$120,519 |
| State Gasoline Tax Special Revenue Fund | \$5,946 |

Cause

The city did not monitor actual expenditures during the year to ensure expenditures did not exceed budgeted appropriations.

Effect

Expenditures incurred in the fund with excess expenditures over appropriations, could be considered invalid or void claims and, pursuant to state law, could result in personal liability for those individuals authorizing those expenditures.

Recommendation

We recommend the City establish and follow internal controls that include requiring accountability from employees responsible for individual budgets to ensure that budget appropriations are not exceeded in the future. We also recommend that management develop procedures to review actual expenditures as compared to budget at least every quarter with the Council and monthly with a finance committee established by the City Council.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-003: Change Orders and Capital Projects (Material Weakness) – Repeat Finding

Criteria

Capital projects generally have a higher inherent risk because of their size and complexity. Key risks include implementing unnecessary change orders, unauthorized change orders, or over-priced change orders. Other risks include significantly changing the nature of the project, changing the original scope of work specifications without appropriate justification, and not ensuring change order requirements were properly monitored through completion. These risks can significantly impact the cost, quality, or time to complete the project. For local governments to mitigate the risks associated with change orders, their policies and procedures play a critical role.

Condition

It was noted during our audit that many City projects significantly exceeded estimates and budgets and that change orders were not utilized to document and approve the excesses.

Cause

The City's Change order policies and procedures do not address commencement of work prior to approval, use of a third-party advisory body, use of root cause analysis, use of independent cost estimates, documentation of cost analysis, written record of explanation of differences between

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

negotiated price and independent cost estimates, and verification of assumptions supporting independent cost estimates.

Effect

The City's capital projects realized cost overruns and project delivery delays.

Recommendation

We recommend that the City implements a policy that requires change orders for all significant project specifications and cost changes. The City can define what changes are significant within the policy, but we recommend starting with any cost increases of \$10,000 or more. The policy should require a review of change orders with significant cost adjustments against independent cost estimates. This practice serves to determine if there are differences between the independent cost estimates and the contractor estimate, which could prevent the overpricing of work. In addition, the City's policy should prohibit construction work from starting, in relation to the increased scope, until change orders have been reviewed and approved. Finally, the City may want to consider creating an advisory committee that approves change orders, which would enhance project oversight and accountability.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-004: Grant Reimbursements – General Process (Material Weakness) – Repeat Finding

Criteria

Best practices dictate that the City has processes in place to ensure that grant reimbursements are filed in a timely manner and available grant funding is utilized to its fullest extent.

Condition

In review of the supporting documentation for expenditures, we noted that the City has incurred allowable expenditures that meet the condition for reimbursement under certain grants, but the City did not submit reimbursement claims for those grants.

Cause

The monitoring of grant projects and expenditures was insufficient.

Effect

The City may not be able to recover resources that would have otherwise been available had timely grant reimbursement claims been submitted.

Recommendation

We recommend that the City establish procedures to ensure requirements are met with regard to grant claims for reimbursement and that claims are submitted timely.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Finding 2024-005: Accounts Payable (Material Weakness)

Criteria

According to the Governmental Accounting Standards Board, expenses should be recognized when the satisfaction of a performance obligation occurs. This is the point at which the entity has fulfilled its obligations to provide goods or services to the customer. For example, if a government entity provides services to a customer and the service is completed, the expense should be recognized at that time. This principle is consistent with the recognition of revenue, where expenses are recognized when the performance obligation is satisfied.

Condition

When we tested accounts payable, we noted that the City was incorrectly excluding some invoices accounts payable and expense/expenditure for services that were provided as of June 30.

Effect

Accounts payable and expenses were understated by \$46,458.

Cause

The City did not review invoices paid after June 30 to determine if they were expenses and obligations as of June 30. The city does not have a monitoring process in place to ensure the accuracy of accounts payable and related expenses/expenditures.

Recommendation

We recommend that management implement written procedures that require accountants to review disbursements after June 30 for obligations that should be recognized as of June 30. Best practices dictate that this should be performed monthly. The procedures should require that invoices are entered into the accounting software as bills within a week of receipt. Also, any invoices received after June 30 that were deemed to be obligations as of June 30 should be journaled as of June 30 and the support for the journal entry should be maintained. The written procedures should include process for monitoring and reviewing the transactions posted and bills entered during the closing process.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-006: Capital Assets (Material Weakness)

Criteria

Generally accepted accounting principles (GAAP) require the City to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Condition

During the audit of the City's capital assets we noted deficiencies in the City's process to maintain the capital asset listing as it relates to additions, deletions, completion of projects (construction in progress to depreciable asset), and accumulated depreciation.

Effect

The City's capital asset balance could incorrectly include or exclude capital assets and include incorrect calculations of depreciation expense.

Cause

Due to the high degree of personnel turnover and the limited City staffing, management has not sufficiently monitored capital assets record keeping.

Recommendation

The City should consider the need for additional staffing or training in the Administrative/Finance Department to ensure that a list of capital assets of \$5,000 or more is accurately maintained and complete.

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-007: Bank Reconciliation (Material Weakness)

Criteria

Sound accounting practices that to reduce the risk of fraud and error include control processes that ensure the tracking of deposits and outstanding check from the initial receipt, to the recording of items in the city's accounting system, and then reconciling those items to bank statements.

Condition

During our testing of the City's bank reconciliations, we found several outstanding checks in the bank reconciliation that were cleared in prior bank statements and prior periods. Many items were incorrectly dated back into the prior audit period, June 30, 2023.

Effect

The City's cash balances and financial statements could be materially misstated.

Cause

Due to turnover and a lack of monitoring, bank reconciliations were not prepared timely and accurately.

Recommendation

The City should ensure that the City accountant has the ability, training, and resources to complete a bank reconciliation timely and accurately. The City Manager, or another person independent of preparation, should review the monthly bank reconciliations for each account to ensure that they are accurate and that transactions are not incorrectly dated when entered into the accounting software.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-009: Financial Reporting and Closing (Material Weakness)

Criteria

Effective financial reporting requires timely and accurate closing of the accounting records at year-end. The Government Finance Officers Association (GFOA) recommends that municipalities implement structured and timely closing procedures to ensure complete and accurate financial statements. Additionally, internal control standards call for proper cutoff procedures to ensure transactions are recorded in the correct accounting period.

Condition

The City's unaudited trial balance contained errors that required material audit adjustments. Critical closing activities such as the accrual of revenues and expenses, reconciliation of accounts, and review of prior adjusting journal entries were delayed or not performed.

Effect

The financial statements initially presented for audit were materially misstated. As a result, the preparation of the City's financial statements was significantly delayed, and multiple post-closing audit adjustments were required to correct material misstatements. There is an increased risk of errors, omissions, or fraud going undetected due to ineffective period-end controls.

Cause

Turnover and a lack of monitoring lead to conditions noted.

Recommendation

Management should develop and implement a comprehensive year-end closing schedule with clear responsibilities and deadlines, document formal year-end closing procedures and ensure they are consistently applied, assign a qualified individual to oversee and monitor the closing process, train finance staff on proper cutoff procedures and year-end responsibilities, and perform post-closing reviews and reconciliations to identify and correct discrepancies before audit commencement.

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

CITY OF POINT ARENA, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2023

Prepared by:

Joseph Arch, CPA
Financial Consultant

This page intentionally left blank.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Table of Contents

Page

INTRODUCTORY SECTION

Table of Contents i
Letter of Transmittal iii
List of Officials vi

FINANCIAL SECTION

Independent Auditors’ Report..... 1
Management’s Discussion and Analysis (Required Supplementary Information) 3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position..... 19
Statement of Activities..... 20

Fund Financial Statements:

Governmental Funds:

Balance Sheet 24
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position..... 25
Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Position – Governmental Activities 26
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds 27
Reconciliation of Fund Basis Statements to Government-wide
Statement of Activities..... 28
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities 29
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget to Actual – General Fund and
Major Special Revenue Funds 30

Proprietary Funds:

Statement of Net Position – Enterprise Funds 34
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Enterprise Funds 35
Statement of Cash Flows – Enterprise Funds 36

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Table of Contents, Continued

| | <u>Page</u> |
|--|-------------|
| Basic Financial Statements, Continued: | |
| Notes to Basic Financial Statements | 40 |

March 8, 2024

To the Honorable Mayor and Members of the City Council and Citizens of the City of Point Arena:

We are pleased to submit the City of Point Arena Basic Financial Statements for the fiscal year ended June 30, 2023. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issues a complete an audit of financial statements to be submitted to them. The financial statements are presented in conformity with accounting principles generally accepted in the United States (US GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Point Arena, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the City Manager with any questions or comments concerning this report.

The City's financial statements have been audited by Chavan and Associates LLP, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with US GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Point Arena

The City of Point Arena operates under a Council-Manager form of government and provides planning and zoning, public works, wastewater, pier and park services. This report includes all funds of the City of Point Arena, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund, Capital Project Fund, and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an annual budget, with a mid-year review, with an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City of Point Arena was incorporated in 1908, as a general law City. The Point Arena City Council consists of five members, who are each elected to represent a district to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Mayor Pro Tempore are chosen by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, committees and commissions.

Current Economic Conditions and Outlook

At the direction of Council, staff continues to conduct a systematic review of operations, resulting in some cases in the transition from an in-house operational model to contract service; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contract operational model with a different service provider. These operational analyses and reforms are intended to promote long-term savings to the City and ensure a return to long-term stability. Current operational deficits due to inefficiencies and overspending have resulted in an extended strain on cash flow to the point of an inability to meet current needs. Due to inflationary trends, some revenues were constrained, but expenditures increased in an exponential fashion.

The City of Point Arena anticipates low revenue growth for the next two years. Even though a fund balance policy has been established, further erosion of cash and fund balances has reduced reserves to a nominal level.

Financial Information

During the past fiscal year, other than the fund balance policy, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Awards and Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the City, particularly Administrative Clerk, Jeana Gevas and the auditing firm of Chavan and Associates, LLP. I would like to express my

appreciation to the other employees and contractors who assisted and contributed to its preparation.

I would also like to thank members of the City Council and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,

Joseph Arch, CPA
Financial Consultant

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

List of Officials

CITY COUNCIL

- Barbara Burkey, Mayor
- Anna Dobbins, Vice Mayor
- Jim Koogle, Councilmember
- Jeff Hansen, Councilmember
- Dan Doyle, Councilmember

CITY OFFICIALS

- Peggy Ducey, Interim City Manager
- Marie Jones, City Planner, Contracted

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Point Arena
Point Arena, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Point Arena (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, and each major fund of the City of Point Arena, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and major special revenue funds 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 (GAAS) 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 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.

Emphasis of a Matter - Substantial Doubt About the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 14 to the financial statements, the City has suffered recurring losses from operations, significant declines in fund balances and net position, a reduction of operating cash to nominal levels, budget overages, deficit spending, and has stated that substantial doubt exists about the City's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

City 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 the City'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 GAAS 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 GAAS, 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'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 the City'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 as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

C & A LLP

Chavan & Associates, LLP
Certified Public Accountants
March 22, 2024
Morgan Hill, California

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Point Arena (City) for the fiscal year ended June 30, 2023. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ As of June 30, 2023, total assets of the City exceeded its liabilities by \$5,679,796 (net position). The portion of net position that may be used to meet the government's ongoing obligations (unrestricted net position) is \$23,587. The remaining \$5,656,209 is net investment in capital assets (page 6).
- ◆ As of June 30, 2023, the City's Governmental Activities reported combined net position of \$4,766,329, of that amount none of the balance is restricted.
- ◆ As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$306,422. Of that amount \$582,194 is assigned for specific purposes as provided by Council direction and \$12,109 is nonspendable, since this amount has already been spent in advance for prepaid items. The remaining fund deficit of \$287,881 is unassigned and represents the General Fund balance of \$119,221 and a deficit fund balance in the Capital Projects Fund of \$407,102 (page 24).
- ◆ Capital assets, net of depreciation, increased to \$5,656,209 (page 6) from \$5,533,968 in fiscal year (FY) 2022.

Government Wide Highlights

The City of Point Arena's operating revenues continue to contract as the economy falters from inflationary pressure. For the fiscal year ended June 30, 2023 the General Fund balance is approximately 35% of the General Fund revenues, which results in a reduction to fund balance after transfers. Overall fund balances are decreasing rapidly as capital improvements take over City priorities. The City's business-type activities are also experiencing overall decreases as sewer and pier fee rates are not keeping pace with increased expenses and capital replacement requirements. The collection system capital project in the Wastewater Fund has drained all available cash resources with unrestricted net position in a deficit for both enterprise funds.

Overall the government-wide balance sheet shows further deterioration of asset amounts and limited working capital balances.

Fund Highlights

As of June 30, 2023, the primary governmental funds reported a combined net fund balance of \$306,422 another reduction over the previous year of \$209,352. This reduction is mainly due to the City's overspending the capital improvement program and departmental overspending for unfunded operations. Expenditures continued to outpace revenues in the operating funds (General and Special Revenue) by approximately \$214,000 a direct result of contractual service cost increases in the Revolving Loan Fund and contract planning cost increases in the General Fund.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

OVERVIEW OF FINANCIAL STATEMENTS

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information;
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements and Combining and Individual Fund Financial Statements and Schedules.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also using accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, public improvements, planning and engineering, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as user fees.
- ◆ **Business-type activities** – All the City's enterprise activities are reported here. The City's Business-type activity funds are the Wastewater and Pier Funds. Unlike governmental services, these services are completely supported by charges paid by users.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated 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 three categories: governmental funds, proprietary funds, and fiduciary funds. For the fiscal year ended June 30, 2023, the City's major funds are as follows:

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

Fund Financial Statements, continued

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Revolving Loan Special Revenue Fund
- ◆ Gas Tax Special Revenue Fund
- ◆ Capital Projects Fund

PROPRIETARY FUNDS:

- ◆ Wastewater Enterprise
- ◆ Pier Enterprise

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the Governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

Proprietary funds The City maintains Enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for sewer activities. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 40-56 of this report.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City’s financial position. In the case of the City, assets exceeded liabilities by \$5,679,796 at the close of the most recent fiscal year. Capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related debt used to acquire those assets, represent 100% of the City’s net position. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

| | 2023 | | | 2022 | | | Total change | |
|---|-------------------------|--------------------------|---------------------|-------------------------|--------------------------|---------------------|---------------------|--------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total | Amount | Percent |
| Current and other assets | \$ 434,598 | \$ 62,107 | \$ 496,705 | \$ 1,539,829 | \$ 143,803 | \$ 1,683,632 | \$ (1,186,927) | -70.5% |
| Internal balances | 345,913 | (345,913) | - | 265,409 | (265,409) | - | - | 0.0% |
| Noncurrent assets | 4,387,013 | 1,269,196 | 5,656,209 | 4,448,893 | 1,085,075 | 5,533,968 | 122,241 | 2.2% |
| Total assets and deferred outflows of resources | 5,167,524 | 985,390 | 6,152,914 | 6,254,131 | 963,469 | 7,217,600 | (1,064,686) | -14.8% |
| Current and other liabilities | 401,195 | 71,923 | 473,118 | 1,198,882 | 38,700 | 1,237,582 | (764,464) | -61.8% |
| Long-term liabilities | - | - | - | - | - | - | - | 0.0% |
| Total liabilities and deferred inflows of resources | 401,195 | 71,923 | 473,118 | 1,198,882 | 38,700 | 1,237,582 | (764,464) | -61.8% |
| Net position: | | | | | | | | |
| Net investment in capital assets | 4,387,013 | 1,269,196 | 5,656,209 | 4,448,893 | 1,085,075 | 5,533,968 | 122,241 | 2.2% |
| Unrestricted | 379,316 | (355,729) | 23,587 | 606,356 | (160,306) | 446,050 | (422,463) | -94.7% |
| Total net position | \$ 4,766,329 | \$ 913,467 | \$ 5,679,796 | \$ 5,055,249 | \$ 924,769 | \$ 5,980,018 | \$ (300,222) | -5.0% |

The table is a summary of the City’s net position for this fiscal year compared to last fiscal year. The table shows the total capital assets for this year (\$5,656,209), no restricted funds and the remaining amount, which is an unrestricted balance of \$23,587, which shows a considerable decrease to governmental activities receivables and business-type activities current assets as well as an overall reduction to cash balances as a result of overspending.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$2,173,189 (see table on Page 8) for the fiscal year ended June 30, 2023. Approximately 85% of the City's revenues are generated from three major sources, Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. This fiscal year's total revenue is \$1,979,374 less than fiscal year 2022 resulting in an overall 5% decrease in net position.

The following discusses variances in these and other key revenues from the prior fiscal year:

1. **Charges for Services** – Charges for services increased slightly by 7% or \$21,365 from last year. Pier and Wastewater fees contributed to most of this increase. Even though revenues for this category increased slightly, operating deficits continued to occur in the enterprise funds.
2. **Grants and Contributions – Operating** – The Grants and Contributions (Operating) category for FY 2023 increased 27% from last fiscal year and included the sub-categories of the State Citizens' Option for Public Safety (COPS) program grant which accounted for approximately \$30,000 of the increase with the rest covered by a Housing and Community Development Program sponsored Small Business Employee Retention Grant Program.
3. **Grants and Contributions – Capital** – The Grants and Contributions (Capital) category for 2023 was the highest revenue decrease from 2022 of 73% or \$2,144,081. This marked the cessation of reimbursable, capital projects as City resources dwindled to their lowest levels.

Expenses

Governmental and business-type activities expenses of the City totaled \$2,473,411 for the year a 3% increase from last fiscal year, which mimics inflation for the year. Governmental activities expenses totaled \$1,634,065 or 66% of total expenses. Streets and Public Works Services costs, which include Planning and Community Development costs represented 51% (\$834,772) of total governmental activities expenses, which was an 61% increase from FY2022.

Community Development expenses included grants from the Housing and Community Development Program sponsored Small Business Employee Retention Grant Program in the amount of \$86,500 with Planning and Engineering costs accounting for \$171,131; the highest unreimbursed costs for the City. Even though, Planning fees, which should be full cost recovery were only \$17,800 for the year.

Public Safety expense increases were commensurate with revenue collected and the County Sheriff contract increase.

This also marked an increase in interest charges as a result of Line of credit balances remaining unchanged throughout the year, further signifying the City's cash flow difficulties.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2023, and 2022, follows (pages 20 and 21):

| | Changes in Net Position | | | | | | Variance | |
|--|-------------------------|--------------------------|---------------------|-------------------------|--------------------------|---------------------|---------------------|-------------|
| | 2023 | | | 2022 | | | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total | | |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 7,004 | \$ 342,047 | \$ 349,051 | \$ 11,473 | \$ 316,213 | \$ 327,686 | \$ 21,365 | 7% |
| Grants and contributions: | | | | | | | | |
| Operating | 524,510 | - | 524,510 | 414,192 | - | 414,192 | 110,318 | 27% |
| Capital | 299,613 | 485,966 | 785,579 | 2,129,087 | 800,573 | 2,929,660 | (2,144,081) | -73% |
| General revenues: | | | | | | | | |
| Property taxes and assessments | 61,499 | - | 61,499 | 85,260 | - | 85,260 | (23,761) | -28% |
| Motor vehicle in-lieu tax | 24,331 | - | 24,331 | - | - | - | 24,331 | |
| Sales and use tax | 163,967 | - | 163,967 | 71,700 | - | 71,700 | 92,267 | 129% |
| Transient occupancy taxes | 157,635 | - | 157,635 | 203,211 | - | 203,211 | (45,576) | -22% |
| VLF Swap | 23,859 | - | 23,859 | 44,819 | - | 44,819 | (20,960) | -47% |
| TOT Measure AC | 31,527 | - | 31,527 | 30,043 | - | 30,043 | 1,484 | 5% |
| Other taxes | 2,106 | - | 2,106 | 509 | - | 509 | 1,597 | 314% |
| Franchises | 6,425 | - | 6,425 | 11,088 | - | 11,088 | (4,663) | -42% |
| Licenses, permits & fees | 23,819 | - | 23,819 | 22,908 | - | 22,908 | 911 | 4% |
| Use of money and property | 18,850 | 31 | 18,881 | 5,100 | 67 | 5,167 | 13,714 | 265% |
| Other general revenues | - | - | - | 6,320 | - | 6,320 | (6,320) | -100% |
| Total revenues | 1,345,145 | 828,044 | 2,173,189 | 3,035,710 | 1,116,853 | 4,152,563 | (1,979,374) | -48% |
| Expenses: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General Government | 449,657 | - | 449,657 | 395,002 | - | 395,002 | 54,655 | 14% |
| Public Safety | 180,994 | - | 180,994 | 113,602 | - | 113,602 | 67,392 | 59% |
| Streets and Public Works | 329,266 | - | 329,266 | 989,516 | - | 989,516 | (660,250) | -67% |
| Community Development | 505,506 | - | 505,506 | 221,698 | - | 221,698 | 283,808 | 128% |
| Culture and Recreation | 132,072 | - | 132,072 | 87,227 | - | 87,227 | 44,845 | 51% |
| Interest and fiscal charges | 36,570 | 1,318 | 37,888 | 6,570 | 1,621 | 8,191 | 29,697 | 363% |
| Business-type activities: | | | | | | | | |
| Wastewater | - | 492,335 | 492,335 | - | 391,410 | 391,410 | 100,925 | 26% |
| Pier | - | 345,693 | 345,693 | - | 188,769 | 188,769 | 156,924 | 83% |
| Total expenses | 1,634,065 | 839,346 | 2,473,411 | 1,813,615 | 581,800 | 2,395,415 | 77,996 | 3% |
| Excess (Deficiency) of revenues over expenditures before transfers | (288,920) | (11,302) | (300,222) | 1,222,095 | 535,053 | 1,757,148 | (2,057,370) | -117% |
| Transfers | - | - | - | - | - | - | - | 0% |
| Change in net position | (288,920) | (11,302) | (300,222) | 1,222,095 | 535,053 | 1,757,148 | (2,057,370) | -117% |
| Net position: | | | | | | | | |
| Beginning of year | 5,055,249 | 924,769 | 5,980,018 | 3,833,154 | 389,716 | 4,222,870 | 1,757,148 | 42% |
| End of year | \$ 4,766,329 | \$ 913,467 | \$ 5,679,796 | \$ 5,055,249 | \$ 924,769 | \$ 5,980,018 | \$ (300,222) | -5% |

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The cost of all governmental activities this year was \$1,634,065. However, as shown in the Statement of Activities on page 20 and 21, the amount that taxpayers ultimately financed for governmental activities was \$514,018. Those who directly benefited from City programs paid \$7,004. Other governments and organizations subsidized certain programs with grants and contributions in the amount of \$524,510 for operations and \$299,613 for capital. The City paid the remaining "public benefit" portion of government activities with \$61,499 in property taxes, \$433,669 in other general revenues, and \$18,850 in use of money and property.

Referring to the Changes in Net Position statement above, total resources available during the year to finance governmental operations were \$1,345,145. This consisted of \$831,127 in program revenues and \$514,018 in general revenues. Total governmental activities operating expenses during the year were \$1,634,065 thus net position at July 1, 2022, of \$5,055,249 decreased by \$288,920 to \$4,766,329 primarily because of an increase in operating expenses with commensurate reductions in revenues both general and program.

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2023, and 2022, are as follows:

| | Operating Revenue | | Operating Expenses | | Net (Expense) and Changes in Net Position | |
|--------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Governmental activities: | | | | | |
| General Government | \$ 67,466 | \$ 61,354 | \$ 449,657 | \$ 395,002 | \$ (382,191) | \$ (333,648) |
| Public Safety | 234,958 | 161,285 | 180,994 | 113,602 | 53,964 | 47,683 |
| Streets and Public Works | 336,774 | 2,220,586 | 329,266 | 989,516 | 7,508 | 1,231,070 |
| Community Development | 138,794 | 71,560 | 505,506 | 221,698 | (366,712) | (150,138) |
| Culture and Recreation | 53,135 | 39,967 | 132,072 | 87,227 | (78,937) | (47,260) |
| Interest and fiscal charges | - | - | 36,570 | 6,570 | (36,570) | (6,570) |
| Total governmental activities | \$ 831,127 | \$ 2,554,752 | \$ 1,634,065 | \$ 1,813,615 | \$ (802,938) | \$ 741,137 |

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

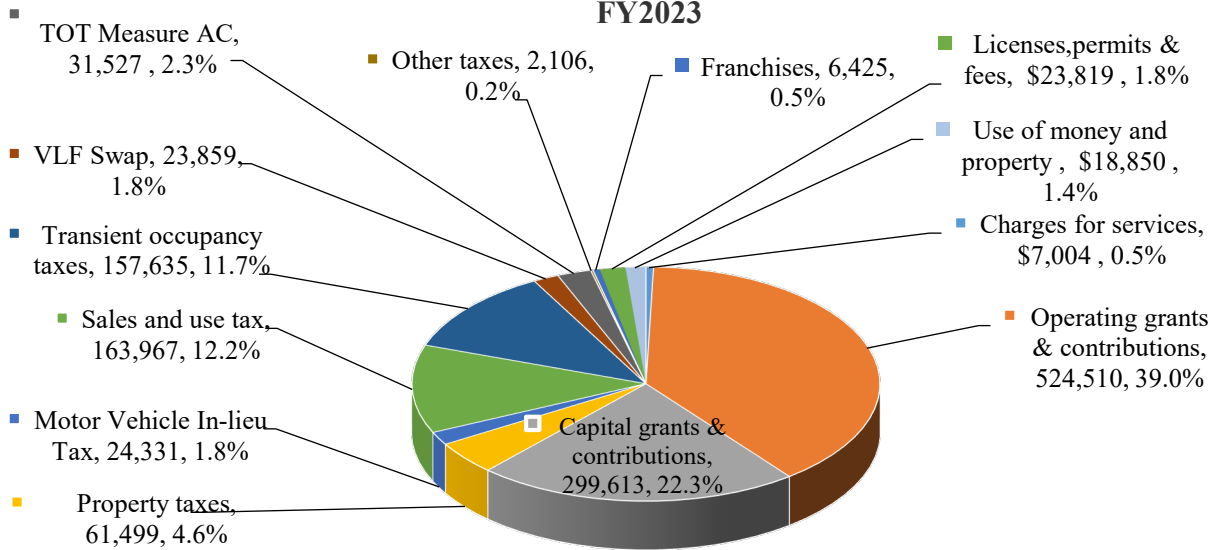
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

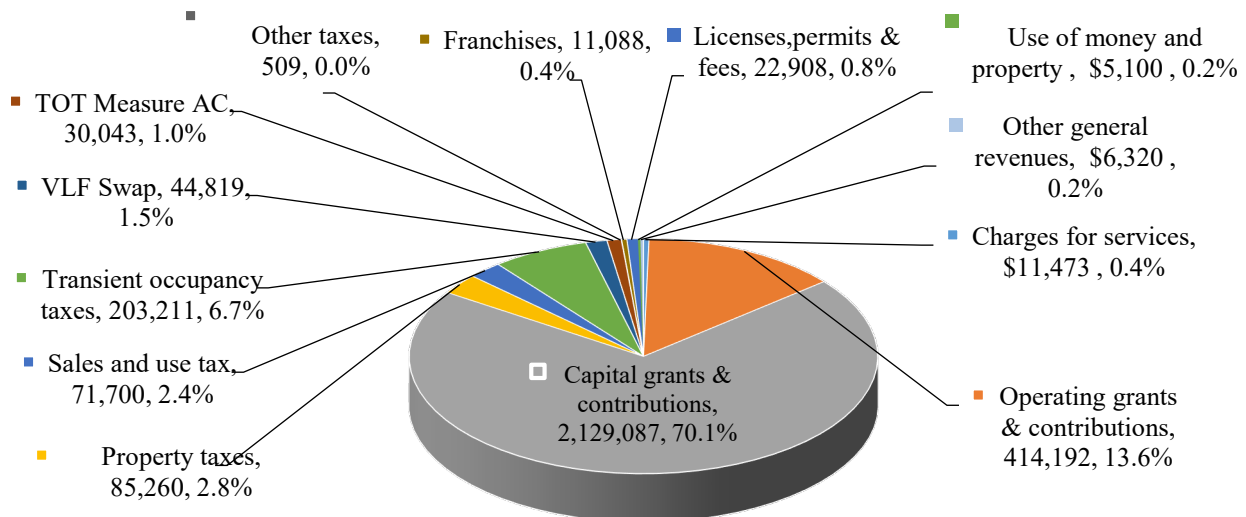
Governmental Activities, Continued

Revenues by source for the fiscal years ended June 30, 2023, and 2022, are as follows:

**Governmental Activities
Revenues by Source
FY2023**



**Governmental Activities
Revenues by Source
FY2022**



City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

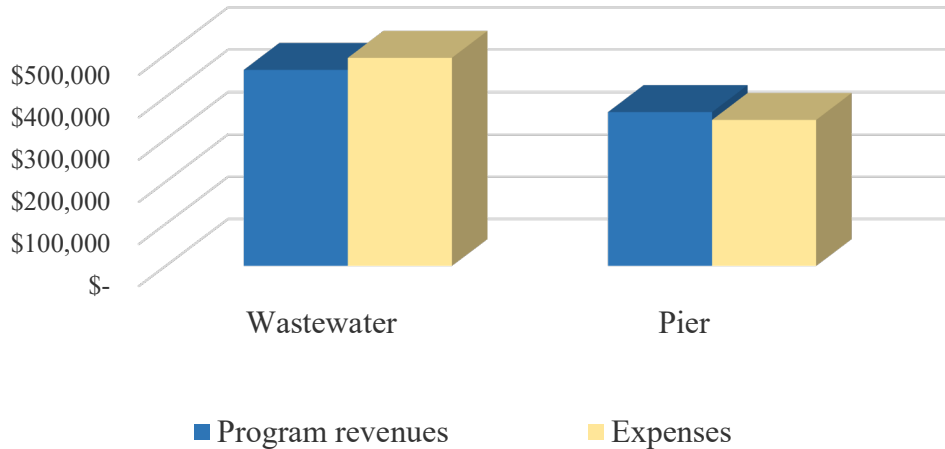
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

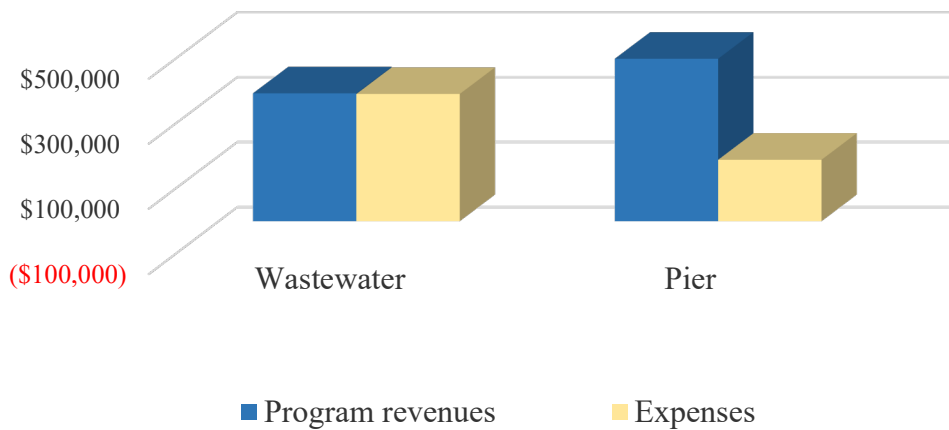
Business-type Activities

Business-type activities incurred \$839,346 in expenses during the fiscal year. The City has two business-type funds, which are the Wastewater and Pier Enterprise Funds. The expenses and program revenues for the business-type activities for the fiscal year ended June 30, 2023, and 2022, are as follows:

Business-type Activities
Program Revenues and Expenses
FY2023



Business-type Activities
Program Revenues and Expenses
FY 2022



City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type Activities, Continued

Business-type activities total revenue for FY 2023 is \$828,044. Expenses for this year exceeded revenues by \$11,302. Revenues are received from three sources, Charges for Services \$342,047, capital grants of \$485,966 and Investment Earnings \$31. 84% of the funding received for Pier operations is derived through capital grants and contributions; the balance is service charges for boat storage, hoist rental and launching fees. In FY 2022 revenues exceeded expenses by \$535,053, primarily a result of capital contributions to the Pier Fund.

As reported in the Statement of Activities, the net position of the City’s Business-type Activities, as of June 30 2023, decreased \$11,302. The following table is a re-statement of the Statement of Business-type Activities outlining the components of this decrease.

Business-type Activities
Two-year Comparison of Change in Net Position

| | 6/30/2023 | 6/30/2022 | Change |
|--|--------------------|---------------------|---------------------|
| Revenues: | | | |
| Charges for Services | \$ 342,047 | \$ 316,213 | \$ 25,834 |
| Capital grants and contributions | 485,966 | 800,573 | (314,607) |
| Use of money and property (interest) | 31 | 67 | (36) |
| Total | \$ 828,044 | \$ 1,116,853 | \$ (288,809) |
| Expenses: | | | |
| Wastewater | \$ 493,653 | \$ 393,031 | \$ 100,622 |
| Pier | 345,693 | 188,769 | 156,924 |
| Total | \$ 839,346 | \$ 581,800 | \$ 257,546 |
| Excess (Deficiency) of revenues over expenditures before transfers | \$ (11,302) | \$ 535,053 | \$ (546,355) |
| Transfers | - | - | - |
| Change in Net Position | \$ (11,302) | \$ 535,053 | \$ (546,355) |

Since the basis of accounting is the same for business-type activities at the government-wide level and enterprise fund level statements, the enterprise funds reported a change in net position: a reduction in the Wastewater Fund \$29,782, which was due to \$163,926 in contract service costs for the Wastewater Collection System project to redesign the Wastewater plant and mitigate future issues with aging infrastructure. From an operating perspective, Wastewater operations continue to operate in a deficit position reflecting the insufficient rates for the costs incurred.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Point Arena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2023, the City's governmental funds reported a combined fund balance of \$306,422 (page 24). This is a decrease of \$209,352 or 41% from last year. The decrease results primarily from General Fund expenditures exceeding revenues by \$196,488 with little beginning fund balance to draw from. Specifically, the City continues to overspend in relationship to revenues collected, which further deteriorates the City's cash position and threatens its sustainability.

Overall, there is a decrease in assets of \$1,286,233 or 57% from last year and a decrease in liabilities of \$1,059,193, mostly due to the line of credit that was added in the prior year and was reduced by \$444,200 and accounts payable of \$353,649 from reduced capital project balances.

- ◆ The decrease of **General Fund** Cash and Investments of \$19,514 or 27% from FY 2022 is mostly due to expenditures being greater than revenues for the City for the year and borrowing from other funds.

This fiscal year, the overall net expenditures in the General Fund is \$223,819 before transfers (page 27) and \$3,217 net revenue in FY 2022. The changes in revenues and expenditures were approximately \$400,000 higher than last fiscal year, with each department overspending their budget because revenues were increased. Unfortunately, the overspending was not capped and the expenditures exceeded the amounts of the revenue increases resulting in a continued negative trend.

- ◆ There was a decrease in the **Revolving Loan Fund** balance of \$17,124, due to loan payments in excess of revenue collections and loan repayments along with excessive contract service costs that were unfunded.
- ◆ The **Gas Tax Fund** is dedicated to transportation related projects according to the Streets and Highway Code. Also, since the Capital Projects Fund was initiated the prior year, the Gas Tax Fund has become a zero based fund since revenues received do not exceed street expenditures. All expenditures are accounted for in the General Fund with the revenue transferred to subsidize Street expenditures as costs continue to exceed the revenues collected throughout the year.
- ◆ The **Capital Projects Fund** was a new major fund in the year ended June 30, 2022, created because of the need to track capital projects funded by grants and capital contributions and financing. This fund reflects all the expenses for capital projects approved in the budget or appropriated by budgetary adjustment. In the next fiscal year, the City will be preparing a comprehensive capital improvement plan with funding sources and potential financing of major capital improvements. The purpose of the Capital Projects Fund on a year to year basis is to be reduced close to zero at year end, if possible. In the second year of operation, fund balances continued to be in a deficit position because of construction activity exceeding reimbursable activities funded by a short-term line of credit. See page 7 of this report for the specific capital projects from this fiscal year.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City’s functions. At June 30, 2023, net capital assets of the governmental activities totaled \$4,387,013 and for business-type activities, \$1,269,196. Depreciation on capital assets is recognized in the government-wide financial statements. The following table shows the City’s Capital Assets net of depreciation:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|----------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Land and CIP | \$ 348,995 | \$ 1,953,531 | \$ 298,190 | \$ 340,792 |
| Buildings and improvements | 98,491 | 105,048 | 59,870 | 62,425 |
| Machinery and equipment | 61,711 | 14,012 | 106,358 | 30,817 |
| Infrastructure & Pier | 3,877,816 | 2,376,302 | 804,778 | 651,041 |
| Total | \$ 4,387,013 | \$ 4,448,893 | \$ 1,269,196 | \$ 1,085,075 |

Land and Building values are listed as cost when purchased or renovated by the City, depreciation is taken on buildings and improvements, machinery and equipment and infrastructure and pier. Additional information on the City’s capital assets can be found in Note 5 on page 50 of this report.

Additional information on the City’s capital assets can be found in Note 5 on page 51 of this report.

Long Term Liabilities

The City had no long-term debt at June 30, 2023 or 2022. The City anticipates converting the line of credit through Redwood Credit Union to a five year note payable in FY 2023-24 or 2024-25 if cash flows permit. The remaining balance of the line of credit, which is approximately \$310,000 will be reclassified as long-term at that time. The City had no additional construction commitments at June 30, 2023 and is attempting to address the cash flow difficulties with reductions to staff, both hours and positions and restructuring the line of credit so an operating line of credit could be used for short-term cash flow needs, coupled with an improvement project for a City-owned property to dedicate rental income derived to the repayment of the debt. This could help stabilize cash flow as operating expenditures are controlled through constant monitoring.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

NEXT YEAR’S BUDGETED APPROPRIATIONS

The adopted budget for all City funds (excluding Pier, Wastewater and Capital) for the new fiscal year of 2023-24 is \$750,200 and is summarized as follows:

| | FY2023-24 (Budget) | FY2022-23 (Budget) | Amount Change | Percentage Change |
|-------------------------------------|-----------------------|-----------------------|------------------|----------------------|
| General fund: | | | | |
| General Government | \$ 390,000 | \$ 363,000 | \$ 27,000 | 7.4% |
| Public Safety | 120,000 | 120,000 | - | 0.0% |
| Streets and Public Works | 102,000 | 27,000 | 75,000 | 277.8% |
| Community Development | 90,000 | 50,000 | 40,000 | 80.0% |
| Culture and Recreation | 80,000 | 67,200 | 12,800 | 19.0% |
| Interest and fiscal charges | - | - | - | 0.0% |
| Total general fund: | 782,000 | 627,200 | 154,800 | 24.7% |
| Special revenue funds: | | | | |
| Revolving Loan | 20,000 | 13,000 | 7,000 | 53.8% |
| Gas Tax | - | 110,000 | (110,000) | (100.0)% |
| Total special revenue funds: | 20,000 | 123,000 | (103,000) | -83.7% |
| Total Budget: | \$ 802,000 | \$ 750,200 | \$ 51,800 | |

1. General Fund – Increases in the General Fund budget include reorganizing Street expenditures from Gas Tax to the General Fund and establishing reasonable offsets in estimated revenues to provide funding.
2. Revolving Loan – The revolving loan programs are projected to decrease due to the increasing interest rate environment and reduction to programs.
3. Gas Tax – The gas tax funding remained relatively the same with expenditures transferred to the General Fund because the revenue source from gas taxes remained flat and relatively nominal.

Requests for Information

This Basic Financial Statements is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Point Arena Administrative Offices 451 School Rd Point Arena CA, or visit the City’s web page at www.pointarena.org.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Point Arena, California

Statement of Net Position

June 30, 2023

| ASSETS | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Current assets: | | | |
| Cash and investments | \$ 99,948 | \$ - | \$ 99,948 |
| Receivables: | | | |
| Accounts receivable | - | 44,263 | 44,263 |
| Intergovernmental receivable | 91,018 | 17,844 | 108,862 |
| Taxes receivable | 158,629 | - | 158,629 |
| Loans receivable | - | - | - |
| Notes receivable | 72,894 | - | 72,894 |
| Prepaid items and deposits | 12,109 | - | 12,109 |
| Internal balances | 345,913 | (345,913) | - |
| Total current assets | <u>780,511</u> | <u>(283,806)</u> | <u>496,705</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Nondepreciable | 348,995 | 298,190 | 647,185 |
| Depreciable | 4,038,018 | 971,006 | 5,009,024 |
| Total noncurrent assets | <u>4,387,013</u> | <u>1,269,196</u> | <u>5,656,209</u> |
| Total assets | <u>\$ 5,167,524</u> | <u>\$ 985,390</u> | <u>\$ 6,152,914</u> |
| | | | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 78,511 | \$ 63,066 | \$ 141,577 |
| Accrued payroll and benefits | 12,144 | 8,557 | 20,701 |
| Line of credit | 310,540 | - | 310,540 |
| Unearned revenue | - | 300 | 300 |
| Total current liabilities | <u>401,195</u> | <u>71,923</u> | <u>473,118</u> |
| Total liabilities | <u>401,195</u> | <u>71,923</u> | <u>473,118</u> |
| | | | |
| NET POSITION | | | |
| Net investment in capital assets | 4,387,013 | 1,269,196 | 5,656,209 |
| Unrestricted (deficit) | 379,316 | (355,729) | 23,587 |
| Total net position | <u>4,766,329</u> | <u>913,467</u> | <u>5,679,796</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 5,167,524</u> | <u>\$ 985,390</u> | <u>\$ 6,152,914</u> |

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

City of Point Arena, California

Statement of Activities

For the year ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General Government | \$ 449,657 | \$ 3,555 | \$ 63,911 | \$ - |
| Public Safety | 180,994 | - | 234,958 | - |
| Streets and Public Works | 329,266 | - | 37,161 | 299,613 |
| Community Development | 505,506 | 3,449 | 135,345 | - |
| Culture and Recreation | 132,072 | - | 53,135 | - |
| Interest and fiscal charges | 36,570 | - | - | - |
| Total governmental activities | 1,634,065 | 7,004 | 524,510 | 299,613 |
| Business-type activities: | | | | |
| Wastewater | 492,335 | 283,138 | - | 180,702 |
| Pier | 345,693 | 58,909 | - | 305,264 |
| Total business-type activities | 838,028 | 342,047 | - | 485,966 |
| Total primary government | \$ 2,472,093 | \$ 349,051 | \$ 524,510 | \$ 785,579 |

General revenues:

Taxes:

Property taxes, levied for general purposes

Motor Vehicle In-lieu Tax

Sales and use tax

Transient Occupancy Taxes

VLF Swap

TOT Measure AC

Other taxes

Franchises

Licenses, Permits & Fees

Use of money and property

Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position:

Beginning of year

Net position - Ending

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

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-------------------------------------|---------------------|
| Governmental Activities | Business-Type Activities | Totals |
| \$ (382,191) | \$ - | \$ (382,191) |
| 53,964 | - | 53,964 |
| 7,508 | - | 7,508 |
| (366,712) | - | (366,712) |
| (78,937) | - | (78,937) |
| (36,570) | (1,318) | (37,888) |
| <u>(802,938)</u> | <u>(1,318)</u> | <u>(804,256)</u> |
| - | (28,495) | (28,495) |
| - | 18,480 | 18,480 |
| - | (10,015) | (10,015) |
| <u>(802,938)</u> | <u>(11,333)</u> | <u>(814,271)</u> |
| 61,499 | - | 61,499 |
| 24,331 | - | 24,331 |
| 163,967 | - | 163,967 |
| 157,635 | - | 157,635 |
| 23,859 | - | 23,859 |
| 31,527 | - | 31,527 |
| 2,106 | - | 2,106 |
| 6,425 | - | 6,425 |
| 23,819 | - | 23,819 |
| 18,850 | 31 | 18,881 |
| - | - | - |
| <u>514,018</u> | <u>31</u> | <u>514,049</u> |
| - | - | - |
| <u>514,018</u> | <u>31</u> | <u>514,049</u> |
| (288,920) | (11,302) | (300,222) |
| 5,055,249 | 924,769 | 5,980,018 |
| <u>\$ 4,766,329</u> | <u>\$ 913,467</u> | <u>\$ 5,679,796</u> |

This page intentionally left blank.

**FUND FINANCIAL STATEMENTS
MAJOR FUNDS**

The Fund Financial Statements present only individual major funds, while non-major funds are combined in a single column. Major funds are defined as having significant activities or balances in the current year.

The City currently has no non-major funds.

| <u>Fund</u> | <u>Description</u> |
|-------------------------|---|
| Governmental Funds: | |
| General Fund | Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds. |
| Revolving Loan Special | Accounts for revenues and expenditures related to the City's CDBG and Business Loan programs. |
| Gas Tax Special Revenue | Accounts for the City's Gas Tax revenue utilized for Street programs. |
| Capital Projects | Accounts for multi-year Capital Improvement projects including shared projects for wastewater and pier improvements. |

City of Point Arena, California
Balance Sheet
Governmental Funds
June 30, 2023

| | Major Funds | | | | Totals |
|--|---------------------|------------------------------|----------------|------------------------------|-------------------|
| | General Fund | Special Revenue Funds | | Capital Projects Fund | |
| | | Revolving Loan | Gas Tax | Capital Projects | |
| ASSETS | | | | | |
| Cash and investments | \$ 51,581 | \$ 48,367 | \$ - | \$ - | \$ 99,948 |
| Receivables: | | | | | |
| Intergovernmental | - | 10,680 | - | 80,338 | 91,018 |
| Taxes receivable | 158,629 | - | - | - | 158,629 |
| Notes receivable | - | 72,894 | - | - | 72,894 |
| Due from other funds | 173,410 | - | - | - | 173,410 |
| Prepaid items and deposits | 12,109 | - | - | - | 12,109 |
| Advances to other funds | - | 345,913 | - | - | 345,913 |
| Total assets | \$ 395,729 | \$ 477,854 | \$ - | \$ 80,338 | \$ 953,921 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 72,357 | \$ 2,664 | \$ - | \$ 3,490 | \$ 78,511 |
| Accrued payroll and benefits | 12,144 | - | - | - | 12,144 |
| Line of credit | - | - | - | 310,540 | 310,540 |
| Due to other funds | - | - | - | 173,410 | 173,410 |
| Deposits payable | - | - | - | - | - |
| Total liabilities | 84,501 | 2,664 | - | 487,440 | 574,605 |
| Deferred inflows: | | | | | |
| Unavailable revenues | - | 72,894 | - | - | 72,894 |
| Fund balances: | | | | | |
| Nonspendable | | | | | |
| Prepaid items and deposits | 12,109 | - | - | - | 12,109 |
| Assigned | 179,898 | 402,296 | - | - | 582,194 |
| Unassigned (deficit) | 119,221 | - | - | (407,102) | (287,881) |
| Total fund balances | 311,228 | 402,296 | - | (407,102) | 306,422 |
| Total liabilities, deferred inflows and fund balances | \$ 395,729 | \$ 477,854 | \$ - | \$ 80,338 | \$ 953,921 |

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

City of Point Arena, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total fund balances - total governmental funds \$ 306,422

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 72,894

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,387,013

Net position of governmental activities \$ 4,766,329

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

City of Point Arena, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2023

| | Governmental Funds Balance Sheet | Reclassifications | Changes in GAAP | Statement of Net Position |
|---|--|---------------------|---------------------|------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 99,948 | \$ - | \$ - | \$ 99,948 |
| Receivables: | | | | |
| Intergovernmental receivable | 91,018 | - | - | 91,018 |
| Taxes receivable | 158,629 | - | - | 158,629 |
| Notes receivable | 72,894 | - | - | 72,894 |
| Internal balances | - | 345,913 | - | 345,913 |
| Due from other funds | 173,410 | (173,410) | - | - |
| Prepaid items and deposits | 12,109 | - | - | 12,109 |
| Total current assets | 608,008 | 172,503 | - | 780,511 |
| Noncurrent assets: | | | | |
| Advances to other funds | 345,913 | (345,913) | - | - |
| Capital assets, net | - | - | 4,387,013 | 4,387,013 |
| Total noncurrent assets | 345,913 | (345,913) | 4,387,013 | 4,387,013 |
| Total assets | \$ 953,921 | \$ (173,410) | \$ 4,387,013 | \$ 5,167,524 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 78,511 | \$ - | \$ - | \$ 78,511 |
| Accrued payroll and benefits | 12,144 | - | - | 12,144 |
| Line of credit | 310,540 | - | - | 310,540 |
| Due to other funds | 173,410 | (173,410) | - | - |
| Deposits payable | - | - | - | - |
| Total current liabilities | 574,605 | (173,410) | - | 401,195 |
| Total liabilities | 574,605 | (173,410) | - | 401,195 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues | 72,894 | - | (72,894) | - |
| Total deferred outflows of resources | 72,894 | - | (72,894) | - |
| FUND BALANCES/NET POSITION | | | | |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items and deposits | 12,109 | (12,109) | - | - |
| Assigned reported in: | | | | |
| General Fund | 179,898 | (179,898) | - | - |
| Special revenue funds | 402,296 | (402,296) | - | - |
| Unassigned (deficit), reported in: | | | | |
| General Fund | 119,221 | (119,221) | - | - |
| Capital projects fund | (407,102) | 407,102 | - | - |
| Net position: | | | | |
| Net investment in capital assets | - | - | 4,387,013 | 4,387,013 |
| Unrestricted | - | 306,422 | 72,894 | 379,316 |
| Total fund balances/ net position | 306,422 | - | 4,459,907 | 4,766,329 |
| Total liabilities, deferred inflows and net position | \$ 953,921 | \$ (173,410) | \$ 4,387,013 | \$ 5,167,524 |

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

City of Point Arena, California
Balance Sheet
Governmental Funds
June 30, 2023

| | Major Funds | | | | Totals |
|--|---------------------|------------------------------|----------------|------------------------------|-------------------|
| | General Fund | Special Revenue Funds | | Capital Projects Fund | |
| | | Revolving Loan | Gas Tax | Capital Projects | |
| ASSETS | | | | | |
| Cash and investments | \$ 51,581 | \$ 48,367 | \$ - | \$ - | \$ 99,948 |
| Receivables: | | | | | |
| Intergovernmental | - | 10,680 | - | 80,338 | 91,018 |
| Taxes receivable | 158,629 | - | - | - | 158,629 |
| Notes receivable | - | 72,894 | - | - | 72,894 |
| Due from other funds | 173,410 | - | - | - | 173,410 |
| Prepaid items and deposits | 12,109 | - | - | - | 12,109 |
| Advances to other funds | - | 345,913 | - | - | 345,913 |
| Total assets | \$ 395,729 | \$ 477,854 | \$ - | \$ 80,338 | \$ 953,921 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 72,357 | \$ 2,664 | \$ - | \$ 3,490 | \$ 78,511 |
| Accrued payroll and benefits | 12,144 | - | - | - | 12,144 |
| Line of credit | - | - | - | 310,540 | 310,540 |
| Due to other funds | - | - | - | 173,410 | 173,410 |
| Deposits payable | - | - | - | - | - |
| Total liabilities | 84,501 | 2,664 | - | 487,440 | 574,605 |
| Deferred inflows: | | | | | |
| Unavailable revenues | - | 72,894 | - | - | 72,894 |
| Fund balances: | | | | | |
| Nonspendable | | | | | |
| Prepaid items and deposits | 12,109 | - | - | - | 12,109 |
| Assigned | 179,898 | 402,296 | - | - | 582,194 |
| Unassigned (deficit) | 119,221 | - | - | (407,102) | (287,881) |
| Total fund balances | 311,228 | 402,296 | - | (407,102) | 306,422 |
| Total liabilities, deferred inflows and fund balances | \$ 395,729 | \$ 477,854 | \$ - | \$ 80,338 | \$ 953,921 |

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

City of Point Arena, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total fund balances - total governmental funds \$ 306,422

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 72,894

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,387,013

Net position of governmental activities \$ 4,766,329

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

City of Point Arena, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2023

| | Governmental Funds Balance Sheet | Reclassifications | Changes in GAAP | Statement of Net Position |
|---|--|---------------------|---------------------|------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 99,948 | \$ - | \$ - | \$ 99,948 |
| Receivables: | | | | |
| Intergovernmental receivable | 91,018 | - | - | 91,018 |
| Taxes receivable | 158,629 | - | - | 158,629 |
| Notes receivable | 72,894 | - | - | 72,894 |
| Internal balances | - | 345,913 | - | 345,913 |
| Due from other funds | 173,410 | (173,410) | - | - |
| Prepaid items and deposits | 12,109 | - | - | 12,109 |
| Total current assets | 608,008 | 172,503 | - | 780,511 |
| Noncurrent assets: | | | | |
| Advances to other funds | 345,913 | (345,913) | - | - |
| Capital assets, net | - | - | 4,387,013 | 4,387,013 |
| Total noncurrent assets | 345,913 | (345,913) | 4,387,013 | 4,387,013 |
| Total assets | \$ 953,921 | \$ (173,410) | \$ 4,387,013 | \$ 5,167,524 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 78,511 | \$ - | \$ - | \$ 78,511 |
| Accrued payroll and benefits | 12,144 | - | - | 12,144 |
| Line of credit | 310,540 | - | - | 310,540 |
| Due to other funds | 173,410 | (173,410) | - | - |
| Deposits payable | - | - | - | - |
| Total current liabilities | 574,605 | (173,410) | - | 401,195 |
| Total liabilities | 574,605 | (173,410) | - | 401,195 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues | 72,894 | - | (72,894) | - |
| Total deferred outflows of resources | 72,894 | - | (72,894) | - |
| FUND BALANCES/NET POSITION | | | | |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items and deposits | 12,109 | (12,109) | - | - |
| Assigned reported in: | | | | |
| General Fund | 179,898 | (179,898) | - | - |
| Special revenue funds | 402,296 | (402,296) | - | - |
| Unassigned (deficit), reported in: | | | | |
| General Fund | 119,221 | (119,221) | - | - |
| Capital projects fund | (407,102) | 407,102 | - | - |
| Net position: | | | | |
| Net investment in capital assets | - | - | 4,387,013 | 4,387,013 |
| Unrestricted | - | 306,422 | 72,894 | 379,316 |
| Total fund balances/ net position | 306,422 | - | 4,459,907 | 4,766,329 |
| Total liabilities, deferred inflows and net position | \$ 953,921 | \$ (173,410) | \$ 4,387,013 | \$ 5,167,524 |

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

City of Point Arena, California

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

Budget to Actual - General Fund and Major Special Revenue Funds

For the year ended June 30, 2023

| | General Fund | | | |
|---|---------------------|-------------------|-------------------|------------------------|
| | Budgeted Amounts | | Actual | Variance w/Final |
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Cannabis Excise Tax | \$ 25,000 | \$ 25,000 | \$ 10,206 | \$ (14,794) |
| Property Taxes | 57,000 | 60,000 | 61,499 | 1,499 |
| Motor Vehicle In-lieu Tax | 45,000 | 25,000 | 24,331 | (669) |
| Gas Taxes | - | - | - | - |
| Sales Taxes | 50,000 | 50,000 | 163,967 | 113,967 |
| Transient Occupancy Taxes | 110,000 | 175,000 | 157,635 | (17,365) |
| VLF Swap | - | - | 23,859 | 23,859 |
| TOT Measure AC | 25,000 | 25,000 | 31,527 | 6,527 |
| Other Taxes | - | - | 2,106 | 2,106 |
| Intergovernmental | 210,000 | 350,000 | 314,874 | (35,126) |
| Licenses, Permits & Fees | 21,830 | 21,830 | 23,819 | 1,989 |
| Franchise Fees | 11,000 | 11,000 | 6,425 | (4,575) |
| Use of Money and Property: | | | | |
| Use of Property | - | 6,000 | 3,555 | (2,445) |
| Interest Income | 3,000 | 3,000 | 1,162 | (1,838) |
| Other revenues | 5,000 | 5,000 | 53,135 | 48,135 |
| Total revenues | 562,830 | 756,830 | 878,100 | 121,270 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 363,000 | 363,000 | 445,407 | (82,407) |
| Public Safety | 120,000 | 120,000 | 180,994 | (60,994) |
| Streets and Public Works | 137,000 | 137,000 | 110,922 | 26,078 |
| Community Development | 50,000 | 50,000 | 176,177 | (126,177) |
| Culture and Recreation | 67,200 | 67,200 | 132,072 | (64,872) |
| Debt service: | | | | |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 737,200 | 737,200 | 1,101,919 | (364,719) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (174,370) | 19,630 | (223,819) | (243,449) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 45,000 | 45,000 | 27,331 | (17,669) |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 45,000 | 45,000 | 27,331 | (17,669) |
| Net change in fund balances | (129,370) | 64,630 | (196,488) | (261,118) |
| FUND BALANCES: | | | | |
| Beginning of year | 507,716 | 507,716 | 507,716 | - |
| End of year | \$ 378,346 | \$ 572,346 | \$ 311,228 | \$ (261,118) |

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

| Revolving Loan | | | | Gas Tax | | | |
|------------------|------------|------------|------------------------|------------------|----------|----------|------------------------|
| Budgeted Amounts | | Actual | Variance w/Final | Budgeted Amounts | | Actual | Variance w/Final |
| Original | Final | | Positive (Negative) | Original | Final | | Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 136,652 | 136,652 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 11,000 | 11,000 | 3,449 | (7,551) | - | - | - | - |
| 5,000 | 5,000 | 17,688 | 12,688 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 16,000 | 16,000 | 157,789 | 141,789 | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | 4,250 | (4,250) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 13,000 | 13,000 | 170,663 | (157,663) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 13,000 | 13,000 | 174,913 | (161,913) | - | - | - | - |
| 3,000 | 3,000 | (17,124) | (20,124) | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | (45,000) | (45,000) | (27,331) | 17,669 |
| - | - | - | - | (45,000) | (45,000) | (27,331) | 17,669 |
| 3,000 | 3,000 | (17,124) | (20,124) | - | - | - | - |
| 419,420 | 419,420 | 419,420 | - | - | - | - | - |
| \$ 422,420 | \$ 422,420 | \$ 402,296 | \$ (20,124) | \$ - | \$ - | \$ - | \$ - |

This page intentionally left blank.

PROPRIETARY FUNDS

Proprietary funds account for the City's operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

All of the City's Enterprise Funds have been identified as major proprietary funds.

| Fund | Description |
|---------------------|--|
| MAJOR FUNDS: | |
| Wastewater | Accounts for revenues and expenses associated with the wastewater plant, including maintenance and capital improvements financed through sewer charges. |
| Pier | Accounts for all activities associated with the operation and maintenance of the pier. Pier operations are financed through boat launching, boat storage, hoist fees and miscellaneous fees for shower and apparel. Additionally, operations and capital improvements are subsidized through grants and General Fund revenues. |

City of Point Arena, California
Statement of Net Position
Enterprise Funds
June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|---|-------------------|---------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ - | \$ - | \$ - |
| Receivables: | | | |
| Accounts | 5,815 | 38,448 | 44,263 |
| Intergovernmental | 17,844 | - | 17,844 |
| Total current assets | <u>23,659</u> | <u>38,448</u> | <u>62,107</u> |
| Noncurrent assets: | | | |
| Capital assets, net | 241,560 | 1,027,636 | 1,269,196 |
| Total assets | <u>\$ 265,219</u> | <u>\$ 1,066,084</u> | <u>\$ 1,331,303</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 26,668 | \$ 36,398 | \$ 63,066 |
| Accrued payroll and benefits | 4,251 | 4,306 | 8,557 |
| Unearned revenues | - | 300 | 300 |
| Total current liabilities | <u>30,919</u> | <u>41,004</u> | <u>71,923</u> |
| Noncurrent liabilities: | | | |
| Advance from Revolving Loan Fund | 74,364 | 271,549 | 345,913 |
| Total liabilities | <u>105,283</u> | <u>312,553</u> | <u>417,836</u> |
| Net Position: | | | |
| Net investment in capital assets | 241,560 | 1,027,636 | 1,269,196 |
| Unrestricted (deficit) | (81,624) | (274,105) | (355,729) |
| Total Net Position | <u>159,936</u> | <u>753,531</u> | <u>913,467</u> |
| Total liabilities and net position | <u>\$ 265,219</u> | <u>\$ 1,066,084</u> | <u>\$ 1,331,303</u> |

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

City of Point Arena, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the year ended June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|--|-------------------|-------------------|-------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 283,138 | \$ 58,909 | \$ 342,047 |
| Other | - | - | - |
| Total operating revenues | <u>283,138</u> | <u>58,909</u> | <u>342,047</u> |
| OPERATING EXPENSES: | | | |
| Salaries and benefits | 133,379 | 130,329 | 263,708 |
| Maintenance and operations | 147,730 | 113,150 | 260,880 |
| Professional fees | 163,926 | 60,871 | 224,797 |
| Administration | 31,093 | 5,530 | 36,623 |
| Depreciation | 16,207 | 35,813 | 52,020 |
| Total operating expenses | <u>492,335</u> | <u>345,693</u> | <u>838,028</u> |
| OPERATING INCOME(LOSS) | <u>(209,197)</u> | <u>(286,784)</u> | <u>(495,981)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Intergovernmental revenues | 180,237 | 70,034 | 250,271 |
| Contributions from external sources | - | 32,098 | 32,098 |
| Other nonoperating revenues | 465 | 57,032 | 57,497 |
| Interest expense | (1,318) | - | (1,318) |
| Interest revenue | 31 | - | 31 |
| Total non-operating revenues, net | <u>179,415</u> | <u>159,164</u> | <u>338,579</u> |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(29,782)</u> | <u>(127,620)</u> | <u>(157,402)</u> |
| Capital contributions | - | 146,100 | 146,100 |
| Total transfers | <u>-</u> | <u>146,100</u> | <u>146,100</u> |
| CHANGE IN NET POSITION | <u>(29,782)</u> | <u>18,480</u> | <u>(11,302)</u> |
| NET POSITION: | | | |
| Beginning of year | 189,718 | 735,051 | 924,769 |
| End of year | <u>\$ 159,936</u> | <u>\$ 753,531</u> | <u>\$ 913,467</u> |

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

City of Point Arena, California
Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|---|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received (refunds paid) from (to) customers/users for services provided | \$ 279,768 | \$ 19,849 | \$ 299,617 |
| Cash payments to suppliers for goods and services | (343,722) | (148,876) | (492,598) |
| Cash payments to employees for services | (131,647) | (127,928) | (259,575) |
| Net cash provided by operating activities | <u>(195,601)</u> | <u>(256,955)</u> | <u>(452,556)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Receipts from (payments for) interfund loans (due to-from/advances) | 34,497 | 40,837 | 75,334 |
| Interest paid on interfund loans and advances | (1,318) | - | (1,318) |
| Net cash used by noncapital financing activities | <u>33,179</u> | <u>40,837</u> | <u>74,016</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from capital grants | 179,090 | 70,034 | 249,124 |
| Reimbursements and contributions | 465 | 235,230 | 235,695 |
| Acquisition and construction of capital assets | (90,041) | (140,256) | (230,297) |
| Net cash (used) by capital and related financing activities | <u>89,514</u> | <u>165,008</u> | <u>254,522</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income received | 31 | - | 31 |
| Net cash provided by investing activities | <u>31</u> | <u>-</u> | <u>31</u> |
| Net increase (decrease) in cash and cash equivalents | (72,877) | (51,110) | (123,987) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 72,877 | 51,110 | 123,987 |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (209,197) | \$ (286,784) | \$ (495,981) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 16,207 | 35,813 | 52,020 |
| (Increase) decrease in current assets: | | | |
| Accounts receivable | (3,370) | (38,448) | (41,818) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | (973) | 30,675 | 29,702 |
| Accrued payroll and benefits | 1,732 | 2,401 | 4,133 |
| Unearned revenues | - | (612) | (612) |
| Net cash provided by operating activities | <u>\$ (195,601)</u> | <u>\$ (256,955)</u> | <u>\$ (452,556)</u> |

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2023.

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

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Index to Notes to Basic Financial Statements

| | <u>Page</u> |
|--|-------------|
| Note 1 – Summary of Significant Accounting Policies | 40 |
| Financial Reporting Entity..... | 40 |
| Basis of Presentation | 41 |
| Measurement Focus..... | 42 |
| Basis of Accounting..... | 43 |
| Assets, Liabilities, and Equity | 43 |
| Revenues, Expenditures, and Expenses..... | 47 |
| Budgetary Accounting..... | 47 |
| Note 2 – Cash and Investments | 48 |
| Note 3 – Accounts Receivable | 50 |
| Note 4 – Notes Receivable | 51 |
| Note 5 – Capital Assets | 51 |
| Note 6 – Accounts Payable and Accrued Liabilities | 53 |
| Note 7 – Line of credit | 53 |
| Note 8 – Net Position/ Fund Balances | 53 |
| Note 9 – Interfund Transactions | 54 |
| Note 10 – Risk Management | 55 |
| Note 11 – Commitments and Contingencies | 55 |
| Note 12 – New Accounting Pronouncements | 56 |
| Note 13 – COVID 19 and Storm Impact | 56 |

City of Point Arena, California
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Point Arena (City) was incorporated 1908, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public works, planning and zoning, building regulation, general administrative services, wastewater, pier and public safety (provided by Mendocino County Sheriff).

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales and transient occupancy taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete or blended presentation.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Revolving Loan Special Revenue Fund
- Gas Tax Special Revenue Fund
- Capital Projects Fund
- Wastewater Enterprise Fund
- Pier Enterprise Fund

Descriptions of these funds are included on the divider pages preceding the Governmental and Enterprise Funds Balance Sheets.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for specific grant and capital funding expended for various street and capital improvement projects.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes, franchise 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 year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Items

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. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, streets, drainage systems, and pumps.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 20 - 50 years |
| Pier and Infrastructure | 20- 50 years |
| Machinery and equipment | 5 - 20 years |
| Computer Software | 5 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences

Employees accrue personal leave, holiday, administrative leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences.

In order to control this future liability, compensatory time off, administrative leave, and floating holidays must be used by staff during the calendar year in which they are earned. At year end, employees will be paid for any comp time, administrative leave, or floating holidays earned, but not used during the year. No comp time, administrative leave, or floating holidays earned may be carried into a new calendar year.

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items reported as a deferred outflow of resources.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources in the fund financial statements. The item is unavailable revenues, which constitutes amounts reported that do not meet the 60 day criteria for accrual in the fund financial statements.

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- The City Council delegates the authority to the City Manager to assign fund balance amounts to specific purposes when such purposes are enacted by the City Council.

Unassigned Fund Balance –

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses

Property Tax

The County of Mendocino (County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to Mendocino County.

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgetary Accounting, continued

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2023. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

2. CASH AND INVESTMENTS

At June 30, 2023, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

| | <u>Not rated</u> | <u>Fair Market Value</u> |
|--|------------------|------------------------------|
| <u>Cash equivalents and investments pooled</u> | | |
| Pooled cash, at fair value | | |
| Cash in bank | \$ 98,217 | \$ 98,217 |
| Petty cash | 200 | 200 |
| Total pooled items | <u>98,417</u> | <u>98,417</u> |
| Pooled investments, at fair value | | |
| <u>Interest obligations</u> | | |
| State of California Local Agency Investment Fund | 1,531 | 1,531 |
| Total pooled investments - interest obligations | <u>1,531</u> | <u>1,531</u> |
| Total cash equivalents and investments pooled | <u>\$ 99,948</u> | <u>\$ 99,948</u> |
| Amounts reported in: | | |
| Governmental activities | | \$ 99,948 |
| Business-type activities | | - |
| Total | | <u><u>\$ 99,948</u></u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Average Annual Yield</u> |
|-------------------------------------|-------------------|--|---------------------------------|
| Local Agency Investment Fund | \$ 1,531 | 0.71 | 3.010% |
| Total fair value | <u>\$ 1,531</u> | | |
| Portfolio weighted average maturity | | 0.71 | |

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the City’s investment policy, are the State of California Local Agency Investment Fund (LAIF) and certificates of deposit in California financial institutions.

| | <u>Interest Rate</u> | <u>Interest Earned</u> | <u>FYTD</u> |
|-------------------------------|----------------------|------------------------|-------------|
| First Quarter (7/1 - 9/30) | 1.29% | \$ 309 | \$ 309 |
| Second Quarter (10/1 - 12/31) | 1.98% | 267 | 576 |
| Third Quarter (1/1 - 3/31) | 2.63% | 10 | 586 |
| Fourth Quarter (4/1 - 6/30) | 3.01% | 12 | 598 |

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested none of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk such as changes in interest rates.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2023, the carrying amount of the City’s deposits was \$98,417 and the balances in financial institutions were \$149,615. Of the balance in financial institutions, the amount was within the \$250,000 covered by federal depository insurance. Amounts that exceeds the federal depository insurance \$250,000 coverage was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. Investments were held by the custodial agent, and were insured up to specified limits by the Securities Investor Protection Corporation (SPIC) and supplemental private insurance up to a limit of \$150 million.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2023, the total fair value amount invested by all public agencies in LAIF is \$179,898,516,097 of which the City's fair value amount is \$1,531. Of the total invested, none was invested in Structured Notes and Asset-Backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2023:

| | Governmental Activities | Business-type Activities | Total |
|---------------------------|----------------------------|-----------------------------|-------------------|
| Accounts | \$ - | \$ 44,263 | \$ 44,263 |
| Interest | - | - | - |
| Intergovernmental | 91,018 | 17,844 | 108,862 |
| Taxes | 158,629 | - | 158,629 |
| Notes | 72,894 | - | 72,894 |
| Total accounts receivable | <u>\$ 322,541</u> | <u>\$ 62,107</u> | <u>\$ 384,648</u> |

These amounts resulted in the following concentrations in receivables:

| | |
|--------------------------|-------|
| Other Governments | 69.5% |
| Individuals / Businesses | 30.5% |

Amounts indicate a significant concentration (greater than 25%) related to grants and other government agencies. Reductions in these revenues could result in reductions to services.

4. NOTES RECEIVABLE

The City had the following notes receivable as of June 30, 2023:

| Description | Beginning July 1, 2022 | Additions | (Deletions) | Ending June 30, 2023 |
|------------------------------------|---------------------------|-------------|--------------------|-------------------------|
| Housing Rehabilitation Loans: | | | | |
| Residential Loan | \$ 29,117 | \$ - | \$ (3,042) | \$ 26,075 |
| Residential Loan | 29,371 | - | (6,889) | 22,482 |
| Residential Loan | 32,094 | - | (7,757) | 24,337 |
| Total Housing Rehabilitation Loans | <u>90,582</u> | <u>-</u> | <u>(17,688)</u> | <u>72,894</u> |
| Total loans receivable | <u>\$ 90,582</u> | <u>\$ -</u> | <u>\$ (17,688)</u> | <u>\$ 72,894</u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

4. NOTES RECEIVABLE, Continued

Revolving loans are given to the lower income sector of the community for housing improvements, new construction and economic stimulus. Notes receivable are not resources currently available for expenditures and are reported in the governmental funds balance sheet as deferred inflows of resources.

5. CAPITAL ASSETS

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

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|--|-------------------------|---------------------|-----------------------|--------------------------|
| <u>Governmental activities:</u> | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 344,995 | \$ - | \$ - | \$ 344,995 |
| Construction in progress | 1,608,536 | - | (1,604,536) | 4,000 |
| Total nondepreciable assets | <u>1,953,531</u> | <u>-</u> | <u>(1,604,536)</u> | <u>348,995</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 229,325 | - | - | 229,325 |
| Machinery & equipment | 79,239 | 56,347 | - | 135,586 |
| Infrastructure | 4,477,976 | 1,676,670 | - | 6,154,646 |
| Total depreciable assets | <u>4,786,540</u> | <u>1,733,017</u> | <u>-</u> | <u>6,519,557</u> |
| Total | <u>6,740,071</u> | <u>1,733,017</u> | <u>(1,604,536)</u> | <u>6,868,552</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (124,277) | (6,557) | - | (130,834) |
| Machinery & equipment | (65,227) | (8,648) | - | (73,875) |
| Infrastructure | (2,101,674) | (175,156) | - | (2,276,830) |
| Total accumulated depreciation | <u>(2,291,178)</u> | <u>(190,361)</u> | <u>-</u> | <u>(2,481,539)</u> |
| Net depreciable assets | <u>2,495,362</u> | <u>1,542,656</u> | <u>-</u> | <u>4,038,018</u> |
| Total net capital assets | <u>\$ 4,448,893</u> | <u>\$ 1,542,656</u> | <u>\$ (1,604,536)</u> | <u>\$ 4,387,013</u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

5. CAPITAL ASSETS, Continued

Capital asset activity for business-type activities for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|---|-------------------------|-------------------|--------------------|--------------------------|
| <u>Business-type activities:</u> | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 298,190 | \$ - | \$ - | \$ 298,190 |
| Construction in progress | 42,602 | - | (42,602) | - |
| Total nondepreciable assets | 340,792 | - | (42,602) | 298,190 |
| Depreciable assets: | | | | |
| Buildings and improvements | 1,550,274 | - | - | 1,550,274 |
| Machinery & equipment | 347,373 | 90,041 | - | 437,414 |
| Infrastructure - Pier | 2,801,312 | 188,702 | - | 2,990,014 |
| Total depreciable assets | 4,698,959 | 278,743 | - | 4,977,702 |
| Total | 5,039,751 | 278,743 | (42,602) | 5,275,892 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (1,487,849) | (2,554) | - | (1,490,403) |
| Machinery & equipment | (316,556) | (14,501) | - | (331,057) |
| Infrastructure - Pier | (2,150,271) | (34,965) | - | (2,185,236) |
| Total accumulated depreciation | (3,954,676) | (52,020) | - | (4,006,696) |
| Net depreciable assets | 744,283 | 226,723 | - | 971,006 |
| Total net capital assets | \$ 1,085,075 | \$ 226,723 | \$ (42,602) | \$ 1,269,196 |

Depreciation expense for capital assets was charged to functions as follows:

Governmental Activities

| | |
|--------------------------|-------------------|
| Streets and Public Works | \$ 190,361 |
| Total | <u>\$ 190,361</u> |

Business-Type Activities

| | |
|------------|------------------|
| Wastewater | \$ 16,207 |
| Pier | 35,813 |
| Total | <u>\$ 52,020</u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2023:

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|----------------------------|-----------------------------|-------------------|
| Accounts payable | \$ 78,511 | \$ 63,066 | \$ 141,577 |
| Accrued payroll and benefits | 12,144 | 8,557 | 20,701 |
| Total | <u>\$ 90,655</u> | <u>\$ 71,623</u> | <u>\$ 162,278</u> |

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or individual.

7. LINE OF CREDIT

In April of 2023, the City entered into a Line of Credit agreement with Redwood Credit Union not to exceed \$1,500,000 to act as bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit was to be paid through receipt of California State grant funding specific to the projects. The line of credit bears interest at a rate of the Prime rate plus 1% on outstanding balances. The balance at June 30, 2023 was \$310,540.

8. NET POSITION/ FUND BALANCES

Net Position

| | Governmental Activities | Business-type Activities |
|----------------------------------|----------------------------|-----------------------------|
| Net investment in capital assets | \$ 4,387,013 | \$ 1,269,196 |
| Unrestricted (deficit) | 379,316 | (355,729) |
| Total | <u>\$ 4,766,329</u> | <u>\$ 913,467</u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

8. NET POSITION/ FUND BALANCES, Continued

Fund Balance

Assigned and Unassigned (Deficit) fund balance consisted of the following at June 30, 2023:

| | |
|---|---------------------|
| Nonspendable: | |
| Major Funds: | |
| General Fund | \$ 12,109 |
| Assigned: | |
| Major Funds: | |
| General Fund | \$ 179,898 |
| Revolving Loan Special Revenue | 402,296 |
| Total Major Funds- Assigned | <u>\$ 582,194</u> |
| Total Assigned | <u>\$ 582,194</u> |
| Unassigned (deficit): | |
| Major Funds: | |
| General Fund | \$ 119,221 |
| Capital Projects | <u>(407,102)</u> |
| Total Major Funds- Unassigned (deficit) | <u>\$ (287,881)</u> |
| Total Fund Balance (Deficit) | <u>\$ 306,422</u> |

The following describes the purpose of each assigned account used by the City:

Assigned

- **General Fund** – represents amounts assigned for the Skate Board Park and an insurance set aside.
- **Revolving Loan Special Revenue** – represents amounts assigned for residential and business loan programs.

Deficit fund balances consisted of the following at June 30, 2023:

The Capital Projects Fund had a deficit fund balance in the amount of \$407,102 to be resolved through future grant revenues.

Excess of Expenditures and Transfers Over Appropriations: Expenditures and transfers exceeded appropriations for the year ended June 30, 2023, for the following funds:

| | <u>Final Budget</u> | <u>Total Expenditures and Transfers</u> | <u>Excess Expenditures Over Appropriations</u> |
|-------------------------------------|---------------------|---|--|
| <u>Governmental Activities</u> | | | |
| Major Funds | | | |
| General Fund | \$ 737,200 | \$ 1,101,919 | \$ (364,719) |
| Revolving Loan Special Revenue Fund | 13,000 | 174,913 | (161,913) |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

9. INTERFUND TRANSACTIONS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Due to/from balances consisted of the following:

Due from the Capital Projects Fund in the amount of \$173,410, which was due to the General Fund in the same amount.

Advances to/from balances consisted of the following:

Advance from the Revolving Loan Special Revenue Fund in the amount of \$345,913, which was advanced to the Wastewater Enterprise Fund in the amount of \$74,364 and the Pier Enterprise Fund in the amount of \$271,549.

Transfers to/from

Transfers consisted of the following at June 30, 2023:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------------|---------------------|----------------------|
| <u>Governmental Activities</u> | | |
| Major Funds: | | |
| General Fund | \$ 27,331 | \$ - |
| Gas Tax Special Revenue | - | 27,331 |
| Total Major Funds | <u>27,331</u> | <u>27,331</u> |
| Total Governmental Activities | <u>27,331</u> | <u>27,331</u> |
| Total Transfers | <u>\$ 27,331</u> | <u>\$ 27,331</u> |

10. RISK MANAGEMENT

The City is currently a member of the California Intergovernmental Risk Authority (CIRA). Under CIRA, the City is provided the following insurance coverage: Worker compensation and employers' liability coverage for bodily injury by accident or by disease, including resulting death, arising out of or in the course of the employee's employment, with the City. Liability coverage for bodily injury, property damage, personal injury or public official's errors and omissions.

The City does not have an equity interest in CIRA. CIRA exercises full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of CIRA are not those of the City, although the City retains an ongoing financial interest or an ongoing financial responsibility.

Audited financial information of CIRA can be found at <http://www.cira-jpa.org/> or by contacting CIRA: 2330 East Bidwell, Suite 150, Folsom, CA 95630.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

11. COMMITMENTS AND CONTINGENCIES

The City is a party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the City. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

12. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued statement No. 96, "Subscription-Based Information Technology Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 99, "Omnibus 2022." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 101, "Compensated Absences." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

13. STORM IMPACT

In January 2023, California experienced excessive rain and wind storms causing flooding and storm damage and a Statewide disaster has been issued with Mendocino County included. Financial damages have yet to be assessed or determined and the City has applied for FEMA assistance.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

14. GOING CONCERN

For the past five years, the City has not properly monitored capital projects and determined proper funding for those projects. In addition, no reserve or financing component was included in these projects and consultants continually exceeded project budgets without proper authorization. This has resulted in the City's operating cash reserves to be reduced to nominal levels and temporary line of credit vehicles to be used for permanent cash deficits. Without restructuring of the City's debt and proper budget monitoring of expenditures, the City's ability to continue is threatened. In order to cure these deficits and reestablish operating cash reserves, the City may incur additional debt to rehabilitate a City-owned property so the rental income derived from the property can be dedicated to the debt repayment. This will require a market valuation of the property, improvement cost analysis and rental value to determine the feasibility of the plan. The City will also need to acquire a proper fund accounting system to account for all activities and institute purchase orders to manage both vendor purchases and consultant costs. Consultant performance will also need to be measured against full funding requirements before a contract is let. Assuming this plan will be managed and executed in a timely fashion and the debt restructuring succeeds, the City will continue as a viable entity.

This page intentionally left blank

City of Point Arena, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

| | Major Funds | | | | Totals |
|---|---------------------|------------------------------|-----------------|------------------------------|-------------------|
| | General Fund | Special Revenue Funds | | Capital Projects Fund | |
| | | Revolving Loan | Gas Tax | Capital Projects | |
| REVENUES: | | | | | |
| Cannabis Excise Tax | \$ 10,206 | \$ - | \$ - | \$ - | \$ 10,206 |
| Property Taxes | 61,499 | - | - | - | 61,499 |
| Motor Vehicle In-lieu Tax | 24,331 | - | - | - | 24,331 |
| Gas Taxes | - | - | 27,331 | - | 27,331 |
| Sales Taxes | 163,967 | - | - | - | 163,967 |
| Transient Occupancy Taxes | 157,635 | - | - | - | 157,635 |
| VLF Swap | 23,859 | - | - | - | 23,859 |
| TOT Measure AC | 31,527 | - | - | - | 31,527 |
| Other Taxes | 2,106 | - | - | - | 2,106 |
| Intergovernmental | 314,874 | 136,652 | - | 299,613 | 751,139 |
| Licenses, Permits & Fees | 23,819 | - | - | - | 23,819 |
| Franchise Fees | 6,425 | - | - | - | 6,425 |
| Use of Money and Property: | | | | | |
| Use of Property | 3,555 | 3,449 | - | - | 7,004 |
| Interest Income | 1,162 | 17,688 | - | - | 18,850 |
| Other revenues | 53,135 | - | - | - | 53,135 |
| Total revenues | 878,100 | 157,789 | 27,331 | 299,613 | 1,362,833 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 445,407 | 4,250 | - | - | 449,657 |
| Public Safety | 180,994 | - | - | - | 180,994 |
| Streets and Public Works | 110,922 | - | - | 27,983 | 138,905 |
| Community Development | 176,177 | 170,663 | - | 158,666 | 505,506 |
| Culture and Recreation | 132,072 | - | - | - | 132,072 |
| Capital outlay | 56,347 | - | - | 72,134 | 128,481 |
| Debt service: | | | | | |
| Interest and fiscal charges | - | - | - | 36,570 | 36,570 |
| Total expenditures | 1,101,919 | 174,913 | - | 295,353 | 1,572,185 |
| REVENUES OVER (UNDER) EXPENDITURES | (223,819) | (17,124) | 27,331 | 4,260 | (209,352) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 27,331 | - | - | - | 27,331 |
| Transfers out | - | - | (27,331) | - | (27,331) |
| Total other financing sources (uses) | 27,331 | - | (27,331) | - | - |
| Net change in fund balances | (196,488) | (17,124) | - | 4,260 | (209,352) |
| FUND BALANCES: | | | | | |
| Beginning of year | 507,716 | 419,420 | - | (411,362) | 515,774 |
| End of year | \$ 311,228 | \$ 402,296 | \$ - | \$ (407,102) | \$ 306,422 |

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

City of Point Arena, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2023

| Functions/Programs | Fund Based Totals | Depreciation | Capital Asset (Additions), Retirements & Adjustments | Government- wide Totals |
|--------------------------------------|----------------------|-------------------|--|-------------------------------|
| Governmental activities: | | | | |
| General Government | \$ 449,657 | \$ - | \$ - | \$ 449,657 |
| Public Safety | 180,994 | | - | 180,994 |
| Streets and Public Works | 138,905 | 190,361 | - | 329,266 |
| Community Development | 505,506 | | - | 505,506 |
| Culture and Recreation | 132,072 | | - | 132,072 |
| Capital outlay | 128,481 | - | (128,481) | - |
| Debt service/Interest | 36,570 | - | - | 36,570 |
| Total governmental activities | \$ 1,572,185 | \$ 190,361 | \$ (128,481) | \$ 1,634,065 |

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

City of Point Arena, California
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 \$ (209,352)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | | |
|-------------------------------------|------------------|----------|
| Capital asset purchases capitalized | \$ 128,481 | |
| Depreciation expense | <u>(190,361)</u> | (61,880) |

Some receivables are deferred in the Governmental Funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities

| | | |
|---------------------|--|-----------------|
| Unavailable revenue | | - |
| | | <u>(17,688)</u> |

| | | |
|--|--|----------------------------|
| Change in net position of governmental activities | | <u><u>\$ (288,920)</u></u> |
|--|--|----------------------------|

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

City of Point Arena, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - General Fund and Major Special Revenue Funds
For the year ended June 30, 2023

| | General Fund | | | |
|---|---------------------|-------------------|-------------------|------------------------|
| | Budgeted Amounts | | Actual | Variance w/Final |
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Cannabis Excise Tax | \$ 25,000 | \$ 25,000 | \$ 10,206 | \$ (14,794) |
| Property Taxes | 57,000 | 60,000 | 61,499 | 1,499 |
| Motor Vehicle In-lieu Tax | 45,000 | 25,000 | 24,331 | (669) |
| Gas Taxes | - | - | - | - |
| Sales Taxes | 50,000 | 50,000 | 163,967 | 113,967 |
| Transient Occupancy Taxes | 110,000 | 175,000 | 157,635 | (17,365) |
| VLF Swap | - | - | 23,859 | 23,859 |
| TOT Measure AC | 25,000 | 25,000 | 31,527 | 6,527 |
| Other Taxes | - | - | 2,106 | 2,106 |
| Intergovernmental | 210,000 | 350,000 | 314,874 | (35,126) |
| Licenses, Permits & Fees | 21,830 | 21,830 | 23,819 | 1,989 |
| Franchise Fees | 11,000 | 11,000 | 6,425 | (4,575) |
| Use of Money and Property: | | | | |
| Use of Property | - | 6,000 | 3,555 | (2,445) |
| Interest Income | 3,000 | 3,000 | 1,162 | (1,838) |
| Other revenues | 5,000 | 5,000 | 53,135 | 48,135 |
| Total revenues | 562,830 | 756,830 | 878,100 | 121,270 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 363,000 | 363,000 | 445,407 | (82,407) |
| Public Safety | 120,000 | 120,000 | 180,994 | (60,994) |
| Streets and Public Works | 137,000 | 137,000 | 110,922 | 26,078 |
| Community Development | 50,000 | 50,000 | 176,177 | (126,177) |
| Culture and Recreation | 67,200 | 67,200 | 132,072 | (64,872) |
| Debt service: | | | | |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 737,200 | 737,200 | 1,101,919 | (364,719) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (174,370) | 19,630 | (223,819) | (243,449) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 45,000 | 45,000 | 27,331 | (17,669) |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 45,000 | 45,000 | 27,331 | (17,669) |
| Net change in fund balances | (129,370) | 64,630 | (196,488) | (261,118) |
| FUND BALANCES: | | | | |
| Beginning of year | 507,716 | 507,716 | 507,716 | - |
| End of year | \$ 378,346 | \$ 572,346 | \$ 311,228 | \$ (261,118) |

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

| Revolving Loan | | | | Gas Tax | | | |
|------------------|------------|------------|------------------------|------------------|----------|----------|------------------------|
| Budgeted Amounts | | Actual | Variance w/Final | Budgeted Amounts | | Actual | Variance w/Final |
| Original | Final | | Positive (Negative) | Original | Final | | Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 136,652 | 136,652 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 11,000 | 11,000 | 3,449 | (7,551) | - | - | - | - |
| 5,000 | 5,000 | 17,688 | 12,688 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 16,000 | 16,000 | 157,789 | 141,789 | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | 4,250 | (4,250) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 13,000 | 13,000 | 170,663 | (157,663) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 13,000 | 13,000 | 174,913 | (161,913) | - | - | - | - |
| 3,000 | 3,000 | (17,124) | (20,124) | 45,000 | 45,000 | 27,331 | (17,669) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | (45,000) | (45,000) | (27,331) | 17,669 |
| - | - | - | - | (45,000) | (45,000) | (27,331) | 17,669 |
| 3,000 | 3,000 | (17,124) | (20,124) | - | - | - | - |
| 419,420 | 419,420 | 419,420 | - | - | - | - | - |
| \$ 422,420 | \$ 422,420 | \$ 402,296 | \$ (20,124) | \$ - | \$ - | \$ - | \$ - |

This page intentionally left blank.

PROPRIETARY FUNDS

Proprietary funds account for the City's operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

All of the City's Enterprise Funds have been identified as major proprietary funds.

| Fund | Description |
|---------------------|--|
| MAJOR FUNDS: | |
| Wastewater | Accounts for revenues and expenses associated with the wastewater plant, including maintenance and capital improvements financed through sewer charges. |
| Pier | Accounts for all activities associated with the operation and maintenance of the pier. Pier operations are financed through boat launching, boat storage, hoist fees and miscellaneous fees for shower and apparel. Additionally, operations and capital improvements are subsidized through grants and General Fund revenues. |

City of Point Arena, California
Statement of Net Position
Enterprise Funds
June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|---|-------------------|---------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ - | \$ - | \$ - |
| Receivables: | | | |
| Accounts | 5,815 | 38,448 | 44,263 |
| Intergovernmental | 17,844 | - | 17,844 |
| Total current assets | <u>23,659</u> | <u>38,448</u> | <u>62,107</u> |
| Noncurrent assets: | | | |
| Capital assets, net | 241,560 | 1,027,636 | 1,269,196 |
| Total assets | <u>\$ 265,219</u> | <u>\$ 1,066,084</u> | <u>\$ 1,331,303</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 26,668 | \$ 36,398 | \$ 63,066 |
| Accrued payroll and benefits | 4,251 | 4,306 | 8,557 |
| Unearned revenues | - | 300 | 300 |
| Total current liabilities | <u>30,919</u> | <u>41,004</u> | <u>71,923</u> |
| Noncurrent liabilities: | | | |
| Advance from Revolving Loan Fund | 74,364 | 271,549 | 345,913 |
| Total liabilities | <u>105,283</u> | <u>312,553</u> | <u>417,836</u> |
| Net Position: | | | |
| Net investment in capital assets | 241,560 | 1,027,636 | 1,269,196 |
| Unrestricted (deficit) | (81,624) | (274,105) | (355,729) |
| Total Net Position | <u>159,936</u> | <u>753,531</u> | <u>913,467</u> |
| Total liabilities and net position | <u>\$ 265,219</u> | <u>\$ 1,066,084</u> | <u>\$ 1,331,303</u> |

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

City of Point Arena, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the year ended June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|--|-------------------|-------------------|-------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 283,138 | \$ 58,909 | \$ 342,047 |
| Other | - | - | - |
| Total operating revenues | <u>283,138</u> | <u>58,909</u> | <u>342,047</u> |
| OPERATING EXPENSES: | | | |
| Salaries and benefits | 133,379 | 130,329 | 263,708 |
| Maintenance and operations | 147,730 | 113,150 | 260,880 |
| Professional fees | 163,926 | 60,871 | 224,797 |
| Administration | 31,093 | 5,530 | 36,623 |
| Depreciation | 16,207 | 35,813 | 52,020 |
| Total operating expenses | <u>492,335</u> | <u>345,693</u> | <u>838,028</u> |
| OPERATING INCOME(LOSS) | <u>(209,197)</u> | <u>(286,784)</u> | <u>(495,981)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Intergovernmental revenues | 180,237 | 70,034 | 250,271 |
| Contributions from external sources | - | 32,098 | 32,098 |
| Other nonoperating revenues | 465 | 57,032 | 57,497 |
| Interest expense | (1,318) | - | (1,318) |
| Interest revenue | 31 | - | 31 |
| Total non-operating revenues, net | <u>179,415</u> | <u>159,164</u> | <u>338,579</u> |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(29,782)</u> | <u>(127,620)</u> | <u>(157,402)</u> |
| Capital contributions | - | 146,100 | 146,100 |
| Total transfers | <u>-</u> | <u>146,100</u> | <u>146,100</u> |
| CHANGE IN NET POSITION | <u>(29,782)</u> | <u>18,480</u> | <u>(11,302)</u> |
| NET POSITION: | | | |
| Beginning of year | 189,718 | 735,051 | 924,769 |
| End of year | <u>\$ 159,936</u> | <u>\$ 753,531</u> | <u>\$ 913,467</u> |

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

City of Point Arena, California
Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2023

| | <u>Wastewater</u> | <u>Pier</u> | <u>Totals</u> |
|---|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received (refunds paid) from (to) customers/users for services provided | \$ 279,768 | \$ 19,849 | \$ 299,617 |
| Cash payments to suppliers for goods and services | (343,722) | (148,876) | (492,598) |
| Cash payments to employees for services | (131,647) | (127,928) | (259,575) |
| Net cash provided by operating activities | <u>(195,601)</u> | <u>(256,955)</u> | <u>(452,556)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Receipts from (payments for) interfund loans (due to-from/advances) | 34,497 | 40,837 | 75,334 |
| Interest paid on interfund loans and advances | (1,318) | - | (1,318) |
| Net cash used by noncapital financing activities | <u>33,179</u> | <u>40,837</u> | <u>74,016</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from capital grants | 179,090 | 70,034 | 249,124 |
| Reimbursements and contributions | 465 | 235,230 | 235,695 |
| Acquisition and construction of capital assets | (90,041) | (140,256) | (230,297) |
| Net cash (used) by capital and related financing activities | <u>89,514</u> | <u>165,008</u> | <u>254,522</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income received | 31 | - | 31 |
| Net cash provided by investing activities | <u>31</u> | <u>-</u> | <u>31</u> |
| Net increase (decrease) in cash and cash equivalents | (72,877) | (51,110) | (123,987) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 72,877 | 51,110 | 123,987 |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (209,197) | \$ (286,784) | \$ (495,981) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 16,207 | 35,813 | 52,020 |
| (Increase) decrease in current assets: | | | |
| Accounts receivable | (3,370) | (38,448) | (41,818) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | (973) | 30,675 | 29,702 |
| Accrued payroll and benefits | 1,732 | 2,401 | 4,133 |
| Unearned revenues | - | (612) | (612) |
| Net cash provided by operating activities | <u>\$ (195,601)</u> | <u>\$ (256,955)</u> | <u>\$ (452,556)</u> |

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2023.

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

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Index to Notes to Basic Financial Statements

| | <u>Page</u> |
|--|-------------|
| Note 1 – Summary of Significant Accounting Policies | 40 |
| Financial Reporting Entity..... | 40 |
| Basis of Presentation | 41 |
| Measurement Focus..... | 42 |
| Basis of Accounting..... | 43 |
| Assets, Liabilities, and Equity | 43 |
| Revenues, Expenditures, and Expenses..... | 47 |
| Budgetary Accounting..... | 47 |
| Note 2 – Cash and Investments | 48 |
| Note 3 – Accounts Receivable | 50 |
| Note 4 – Notes Receivable | 51 |
| Note 5 – Capital Assets | 51 |
| Note 6 – Accounts Payable and Accrued Liabilities | 53 |
| Note 7 – Line of credit | 53 |
| Note 8 – Net Position/ Fund Balances | 53 |
| Note 9 – Interfund Transactions | 54 |
| Note 10 – Risk Management | 55 |
| Note 11 – Commitments and Contingencies | 55 |
| Note 12 – New Accounting Pronouncements | 56 |
| Note 13 – COVID 19 and Storm Impact | 56 |

City of Point Arena, California
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Point Arena (City) was incorporated 1908, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public works, planning and zoning, building regulation, general administrative services, wastewater, pier and public safety (provided by Mendocino County Sheriff).

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales and transient occupancy taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete or blended presentation.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Revolving Loan Special Revenue Fund
- Gas Tax Special Revenue Fund
- Capital Projects Fund
- Wastewater Enterprise Fund
- Pier Enterprise Fund

Descriptions of these funds are included on the divider pages preceding the Governmental and Enterprise Funds Balance Sheets.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for specific grant and capital funding expended for various street and capital improvement projects.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes, franchise 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 year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Items

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. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, streets, drainage systems, and pumps.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 20 - 50 years |
| Pier and Infrastructure | 20- 50 years |
| Machinery and equipment | 5 - 20 years |
| Computer Software | 5 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences

Employees accrue personal leave, holiday, administrative leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences.

In order to control this future liability, compensatory time off, administrative leave, and floating holidays must be used by staff during the calendar year in which they are earned. At year end, employees will be paid for any comp time, administrative leave, or floating holidays earned, but not used during the year. No comp time, administrative leave, or floating holidays earned may be carried into a new calendar year.

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items reported as a deferred outflow of resources.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources in the fund financial statements. The item is unavailable revenues, which constitutes amounts reported that do not meet the 60 day criteria for accrual in the fund financial statements.

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- The City Council delegates the authority to the City Manager to assign fund balance amounts to specific purposes when such purposes are enacted by the City Council.

Unassigned Fund Balance –

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses

Property Tax

The County of Mendocino (County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to Mendocino County.

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgetary Accounting, continued

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2023. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

2. CASH AND INVESTMENTS

At June 30, 2023, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

| | <u>Not rated</u> | <u>Fair Market Value</u> |
|--|------------------|------------------------------|
| <u>Cash equivalents and investments pooled</u> | | |
| Pooled cash, at fair value | | |
| Cash in bank | \$ 98,217 | \$ 98,217 |
| Petty cash | 200 | 200 |
| Total pooled items | <u>98,417</u> | <u>98,417</u> |
| Pooled investments, at fair value | | |
| <u>Interest obligations</u> | | |
| State of California Local Agency Investment Fund | 1,531 | 1,531 |
| Total pooled investments - interest obligations | <u>1,531</u> | <u>1,531</u> |
| Total cash equivalents and investments pooled | <u>\$ 99,948</u> | <u>\$ 99,948</u> |
| Amounts reported in: | | |
| Governmental activities | | \$ 99,948 |
| Business-type activities | | - |
| Total | | <u><u>\$ 99,948</u></u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Average Annual Yield</u> |
|-------------------------------------|-------------------|--|---------------------------------|
| Local Agency Investment Fund | \$ 1,531 | 0.71 | 3.010% |
| Total fair value | <u>\$ 1,531</u> | | |
| Portfolio weighted average maturity | | 0.71 | |

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the City’s investment policy, are the State of California Local Agency Investment Fund (LAIF) and certificates of deposit in California financial institutions.

| | <u>Interest Rate</u> | <u>Interest Earned</u> | <u>FYTD</u> |
|-------------------------------|----------------------|------------------------|-------------|
| First Quarter (7/1 - 9/30) | 1.29% | \$ 309 | \$ 309 |
| Second Quarter (10/1 - 12/31) | 1.98% | 267 | 576 |
| Third Quarter (1/1 - 3/31) | 2.63% | 10 | 586 |
| Fourth Quarter (4/1 - 6/30) | 3.01% | 12 | 598 |

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested none of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk such as changes in interest rates.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2023, the carrying amount of the City’s deposits was \$98,417 and the balances in financial institutions were \$149,615. Of the balance in financial institutions, the amount was within the \$250,000 covered by federal depository insurance. Amounts that exceeds the federal depository insurance \$250,000 coverage was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. Investments were held by the custodial agent, and were insured up to specified limits by the Securities Investor Protection Corporation (SPIC) and supplemental private insurance up to a limit of \$150 million.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2023, the total fair value amount invested by all public agencies in LAIF is \$179,898,516,097 of which the City's fair value amount is \$1,531. Of the total invested, none was invested in Structured Notes and Asset-Backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2023:

| | Governmental Activities | Business-type Activities | Total |
|---------------------------|----------------------------|-----------------------------|-------------------|
| Accounts | \$ - | \$ 44,263 | \$ 44,263 |
| Interest | - | - | - |
| Intergovernmental | 91,018 | 17,844 | 108,862 |
| Taxes | 158,629 | - | 158,629 |
| Notes | 72,894 | - | 72,894 |
| Total accounts receivable | <u>\$ 322,541</u> | <u>\$ 62,107</u> | <u>\$ 384,648</u> |

These amounts resulted in the following concentrations in receivables:

| | |
|--------------------------|-------|
| Other Governments | 69.5% |
| Individuals / Businesses | 30.5% |

Amounts indicate a significant concentration (greater than 25%) related to grants and other government agencies. Reductions in these revenues could result in reductions to services.

4. NOTES RECEIVABLE

The City had the following notes receivable as of June 30, 2023:

| Description | Beginning July 1, 2022 | Additions | (Deletions) | Ending June 30, 2023 |
|------------------------------------|---------------------------|-------------|--------------------|-------------------------|
| Housing Rehabilitation Loans: | | | | |
| Residential Loan | \$ 29,117 | \$ - | \$ (3,042) | \$ 26,075 |
| Residential Loan | 29,371 | - | (6,889) | 22,482 |
| Residential Loan | 32,094 | - | (7,757) | 24,337 |
| Total Housing Rehabilitation Loans | <u>90,582</u> | <u>-</u> | <u>(17,688)</u> | <u>72,894</u> |
| Total loans receivable | <u>\$ 90,582</u> | <u>\$ -</u> | <u>\$ (17,688)</u> | <u>\$ 72,894</u> |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

4. NOTES RECEIVABLE, Continued

Revolving loans are given to the lower income sector of the community for housing improvements, new construction and economic stimulus. Notes receivable are not resources currently available for expenditures and are reported in the governmental funds balance sheet as deferred inflows of resources.

5. CAPITAL ASSETS

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

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|--|-------------------------|---------------------|-----------------------|--------------------------|
| <u>Governmental activities:</u> | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 344,995 | \$ - | \$ - | \$ 344,995 |
| Construction in progress | 1,608,536 | - | (1,604,536) | 4,000 |
| Total nondepreciable assets | 1,953,531 | - | (1,604,536) | 348,995 |
| Depreciable assets: | | | | |
| Buildings and improvements | 229,325 | - | - | 229,325 |
| Machinery & equipment | 79,239 | 56,347 | - | 135,586 |
| Infrastructure | 4,477,976 | 1,676,670 | - | 6,154,646 |
| Total depreciable assets | 4,786,540 | 1,733,017 | - | 6,519,557 |
| Total | 6,740,071 | 1,733,017 | (1,604,536) | 6,868,552 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (124,277) | (6,557) | - | (130,834) |
| Machinery & equipment | (65,227) | (8,648) | - | (73,875) |
| Infrastructure | (2,101,674) | (175,156) | - | (2,276,830) |
| Total accumulated depreciation | (2,291,178) | (190,361) | - | (2,481,539) |
| Net depreciable assets | 2,495,362 | 1,542,656 | - | 4,038,018 |
| Total net capital assets | \$ 4,448,893 | \$ 1,542,656 | \$ (1,604,536) | \$ 4,387,013 |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

5. CAPITAL ASSETS, Continued

Capital asset activity for business-type activities for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|---|-------------------------|-------------------|--------------------|--------------------------|
| <u>Business-type activities:</u> | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 298,190 | \$ - | \$ - | \$ 298,190 |
| Construction in progress | 42,602 | - | (42,602) | - |
| Total nondepreciable assets | 340,792 | - | (42,602) | 298,190 |
| Depreciable assets: | | | | |
| Buildings and improvements | 1,550,274 | - | - | 1,550,274 |
| Machinery & equipment | 347,373 | 90,041 | - | 437,414 |
| Infrastructure - Pier | 2,801,312 | 188,702 | - | 2,990,014 |
| Total depreciable assets | 4,698,959 | 278,743 | - | 4,977,702 |
| Total | 5,039,751 | 278,743 | (42,602) | 5,275,892 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (1,487,849) | (2,554) | - | (1,490,403) |
| Machinery & equipment | (316,556) | (14,501) | - | (331,057) |
| Infrastructure - Pier | (2,150,271) | (34,965) | - | (2,185,236) |
| Total accumulated depreciation | (3,954,676) | (52,020) | - | (4,006,696) |
| Net depreciable assets | 744,283 | 226,723 | - | 971,006 |
| Total net capital assets | \$ 1,085,075 | \$ 226,723 | \$ (42,602) | \$ 1,269,196 |

Depreciation expense for capital assets was charged to functions as follows:

Governmental Activities

| | |
|--------------------------|-------------------|
| Streets and Public Works | \$ 190,361 |
| Total | \$ 190,361 |

Business-Type Activities

| | |
|--------------|------------------|
| Wastewater | \$ 16,207 |
| Pier | 35,813 |
| Total | \$ 52,020 |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2023:

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|----------------------------|-----------------------------|------------|
| Accounts payable | \$ 78,511 | \$ 63,066 | \$ 141,577 |
| Accrued payroll and benefits | 12,144 | 8,557 | 20,701 |
| Total | \$ 90,655 | \$ 71,623 | \$ 162,278 |

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or individual.

7. LINE OF CREDIT

In April of 2023, the City entered into a Line of Credit agreement with Redwood Credit Union not to exceed \$1,500,000 to act as bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit was to be paid through receipt of California State grant funding specific to the projects. The line of credit bears interest at a rate of the Prime rate plus 1% on outstanding balances. The balance at June 30, 2023 was \$310,540.

8. NET POSITION/ FUND BALANCES

Net Position

| | Governmental Activities | Business-type Activities |
|----------------------------------|----------------------------|-----------------------------|
| Net investment in capital assets | \$ 4,387,013 | \$ 1,269,196 |
| Unrestricted (deficit) | 379,316 | (355,729) |
| Total | \$ 4,766,329 | \$ 913,467 |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

8. NET POSITION/ FUND BALANCES, Continued

Fund Balance

Assigned and Unassigned (Deficit) fund balance consisted of the following at June 30, 2023:

| | |
|---|---------------------|
| Nonspendable: | |
| Major Funds: | |
| General Fund | <u>\$ 12,109</u> |
| Assigned: | |
| Major Funds: | |
| General Fund | \$ 179,898 |
| Revolving Loan Special Revenue | 402,296 |
| Total Major Funds- Assigned | <u>\$ 582,194</u> |
| Total Assigned | <u>\$ 582,194</u> |
| Unassigned (deficit): | |
| Major Funds: | |
| General Fund | \$ 119,221 |
| Capital Projects | <u>(407,102)</u> |
| Total Major Funds- Unassigned (deficit) | <u>\$ (287,881)</u> |
| Total Fund Balance (Deficit) | <u>\$ 306,422</u> |

The following describes the purpose of each assigned account used by the City:

Assigned

- **General Fund** – represents amounts assigned for the Skate Board Park and an insurance set aside.
- **Revolving Loan Special Revenue** – represents amounts assigned for residential and business loan programs.

Deficit fund balances consisted of the following at June 30, 2023:

The Capital Projects Fund had a deficit fund balance in the amount of \$407,102 to be resolved through future grant revenues.

Excess of Expenditures and Transfers Over Appropriations: Expenditures and transfers exceeded appropriations for the year ended June 30, 2023, for the following funds:

| | <u>Final Budget</u> | <u>Total Expenditures and Transfers</u> | <u>Excess Expenditures Over Appropriations</u> |
|-------------------------------------|---------------------|---|--|
| <u>Governmental Activities</u> | | | |
| Major Funds | | | |
| General Fund | \$ 737,200 | \$ 1,101,919 | \$ (364,719) |
| Revolving Loan Special Revenue Fund | 13,000 | 174,913 | (161,913) |

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

9. INTERFUND TRANSACTIONS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Due to/from balances consisted of the following:

Due from the Capital Projects Fund in the amount of \$173,410, which was due to the General Fund in the same amount.

Advances to/from balances consisted of the following:

Advance from the Revolving Loan Special Revenue Fund in the amount of \$345,913, which was advanced to the Wastewater Enterprise Fund in the amount of \$74,364 and the Pier Enterprise Fund in the amount of \$271,549.

Transfers to/from

Transfers consisted of the following at June 30, 2023:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------------|---------------------|----------------------|
| <u>Governmental Activities</u> | | |
| Major Funds: | | |
| General Fund | \$ 27,331 | \$ - |
| Gas Tax Special Revenue | - | 27,331 |
| Total Major Funds | <u>27,331</u> | <u>27,331</u> |
| Total Governmental Activities | <u>27,331</u> | <u>27,331</u> |
| Total Transfers | <u>\$ 27,331</u> | <u>\$ 27,331</u> |

10. RISK MANAGEMENT

The City is currently a member of the California Intergovernmental Risk Authority (CIRA). Under CIRA, the City is provided the following insurance coverage: Worker compensation and employers' liability coverage for bodily injury by accident or by disease, including resulting death, arising out of or in the course of the employee's employment, with the City. Liability coverage for bodily injury, property damage, personal injury or public official's errors and omissions.

The City does not have an equity interest in CIRA. CIRA exercises full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of CIRA are not those of the City, although the City retains an ongoing financial interest or an ongoing financial responsibility.

Audited financial information of CIRA can be found at <http://www.cira-jpa.org/> or by contacting CIRA: 2330 East Bidwell, Suite 150, Folsom, CA 95630.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

11. COMMITMENTS AND CONTINGENCIES

The City is a party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the City. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

12. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued statement No. 96, "Subscription-Based Information Technology Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 99, "Omnibus 2022." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 101, "Compensated Absences." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

13. STORM IMPACT

In January 2023, California experienced excessive rain and wind storms causing flooding and storm damage and a Statewide disaster has been issued with Mendocino County included. Financial damages have yet to be assessed or determined and the City has applied for FEMA assistance.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

14. GOING CONCERN

For the past five years, the City has not properly monitored capital projects and determined proper funding for those projects. In addition, no reserve or financing component was included in these projects and consultants continually exceeded project budgets without proper authorization. This has resulted in the City's operating cash reserves to be reduced to nominal levels and temporary line of credit vehicles to be used for permanent cash deficits. Without restructuring of the City's debt and proper budget monitoring of expenditures, the City's ability to continue is threatened. In order to cure these deficits and reestablish operating cash reserves, the City may incur additional debt to rehabilitate a City-owned property so the rental income derived from the property can be dedicated to the debt repayment. This will require a market valuation of the property, improvement cost analysis and rental value to determine the feasibility of the plan. The City will also need to acquire a proper fund accounting system to account for all activities and institute purchase orders to manage both vendor purchases and consultant costs. Consultant performance will also need to be measured against full funding requirements before a contract is let. Assuming this plan will be managed and executed in a timely fashion and the debt restructuring succeeds, the City will continue as a viable entity.

This page intentionally left blank