



STAFF REPORT

Agenda Item No. 5a	
MEETING DATE	June 1, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	PUBLIC HEARING City of Point Arena Municipal Service Review and Sphere of Influence Update Study

RECOMMENDED ACTION

It is recommended that the Commission take the following actions:

- 1) Find the City of Point Arena Municipal Service Review is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption), and find the City of Point Arena Sphere of Influence Update is exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule), and approve the Notice of Exemption for filing; and
- 2) Adopt LAFCo Resolution 2025-26-09, approving the City of Point Arena Municipal Service Review and Sphere of Influence Update Study; affirming the 2015 sphere of influence that is coterminous with the City boundary and includes 'Area 1' (treated effluent spray fields and adjacent "island" area) and a portion of 'Area 2' (Point Arena Cove Area).

BACKGROUND

This is a Public Hearing to consider public testimony and proposed adoption of the City of Point Arena (City/Point Arena) Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study.

The Commission held a public workshop on the City of Point Arena Draft MSR/SOI Update Study on [May 4, 2026](#) (starting on page 44 of 359 on the agenda packet) to hear public/agency comments and provide direction on revisions to the draft study in preparation for this Public Hearing item. A [video recording](#) of the meeting is available online.

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. Municipal services offered directly by the City include the following: general administrative services (general government), public works (street maintenance, stormwater, parks and facilities), harbor and pier operations, and wastewater collection and treatment. Additional municipal services are provided to City residents through a combination of public and private providers via agreements and service contracts, including community development, law enforcement, fire protection and emergency services, solid waste services, and utilities (water). Point Arena is located within the southwest portion of Mendocino County along Highway 1. The City has a land area of 1.35 square miles (864 acres).

Revisions List

The following is a list of revisions the Commission requested during the May workshop:

- a. Section 2.2.2: Clarify City Hall operating hours (Monday – Wednesday, 9:00 AM – 3:00 PM).

- b. Section 2.3.4.1: Revise Table 2-5 to clarify that adjacent service providers do not share businesses or operations with the City of Point Arena.
- c. Section 2.4.2.2: Revise the loan payoff date to reflect the line of credit converted to a 5-year note payable with Redwood Credit Union.
- d. Section 2.6: Add a definition and explanation of Census Tract 111.02.
- e. Section 2.6: Add narrative describing the new Proposition 4 definitions for disadvantaged communities (DACs).
- f. Section 3.2.1: Clarify the role of Paul Andersen as Assistant City Manager/City Clerk.
- g. Section 3.9.1.1: Revise MSR Determination #5 to reflect the City's update that Point Arena's Regional Housing Needs Allocation (RHNA) is expected to increase from 9 to 35 housing units, noting the challenges in achieving these given local constraints.
- h. Section 3.9.1.2: Revise MSR determinations #9 and #10 to more directly address DACs.
- i. Correct placeholder and reference errors throughout the document.

Additionally, formatting, punctuation, and grammar revisions were made throughout the Public Hearing draft.

Sphere of Influence

In 2015, the Commission approved Point Arena's current SOI by LAFCo Resolution No. 15-16-07, coterminous with the District boundary and with the inclusion of 'Area 1' (treated effluent spray fields and adjacent "island" area) and a portion of 'Area 2' (Point Arena Cove Area). The study recommends the Commission affirm the existing SOI.

CEQA Compliance

The City's MSR is categorically exempt from further review under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption). This 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.

The City's SOI Update is 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 is based on a determination with certainty that the sphere of influence update will have no possibility of significantly affecting 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.

Refer to the prepared Notice of Exemption (NOE) for further information (Attachment 3)

Public Notice

The 21-day Notice for this Public Hearing was properly published, posted, and distributed May 7, 2026. The newspaper Proof of Publication is included as Attachment 4.

Public Comments

No public comments have been received to date.

ATTACHMENTS

- (1) City of Point Arena MSR/SOI Update 2026
- (2) LAFCo Resolution No. 2025-26-09
- (3) Notice of Exemption
- (4) Proof of Publication

Attachment 1

Public Hearing Draft



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: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

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Draft

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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
WDR	Waste Discharge Requirements
WWTP	Wastewater Treatment Plant

1 INTRODUCTION

1.1 Local Agency Formation Commission

Local Agency Formation Commissions (LAFCos/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
Douglas Crane	Alternate	City	2025

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

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Adam Gaska	Alternate	Special Districts	2026
John Haschak	Alternate	County	2027

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.

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.](#)

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;
- 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

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](#) .

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 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.

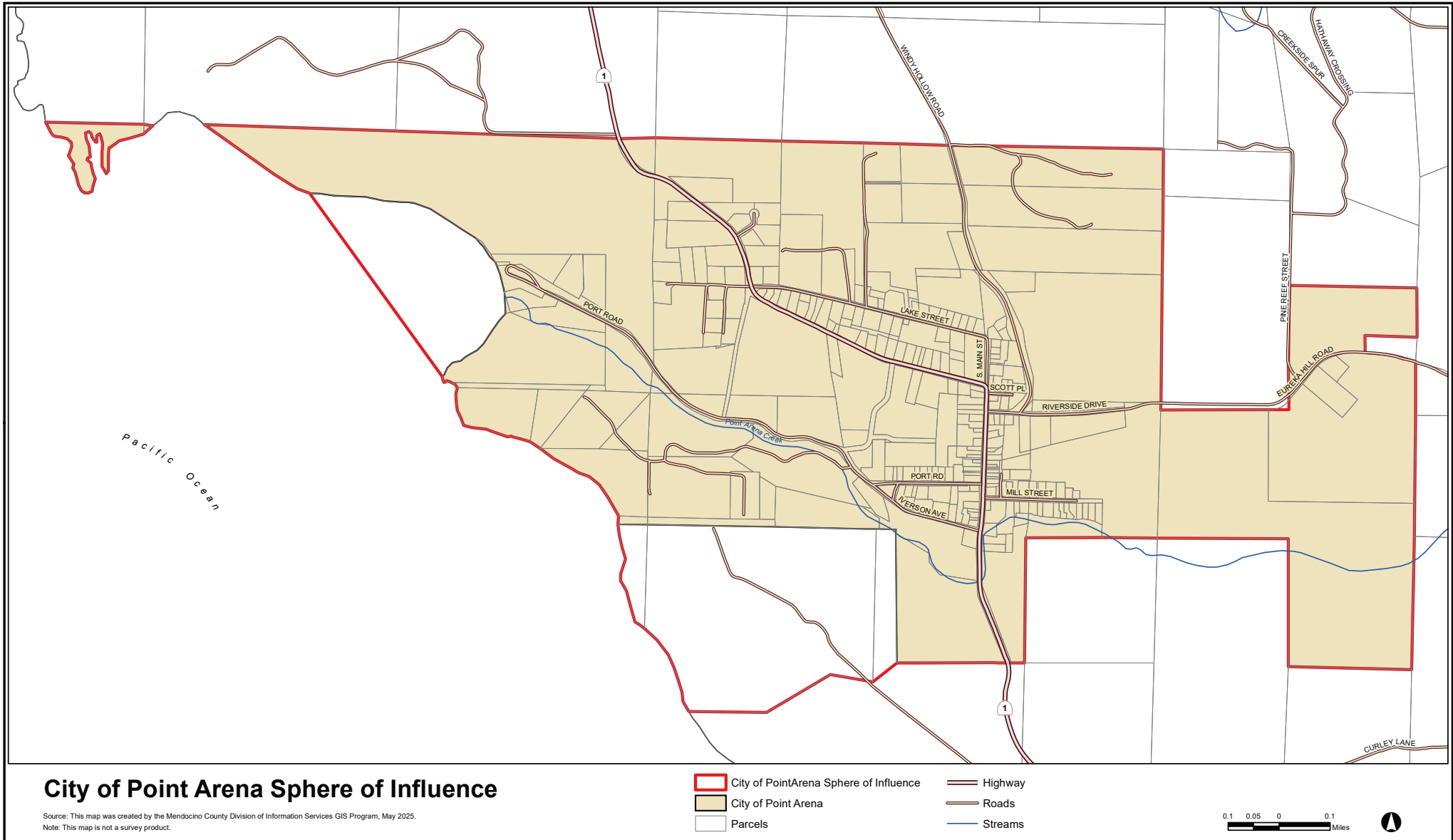
For more information regarding services, refer to Chapter 3.

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



Source: Hill 2022.

Figure 2-2: City of Point Arena Boundary



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.

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 6-89⁶). 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.

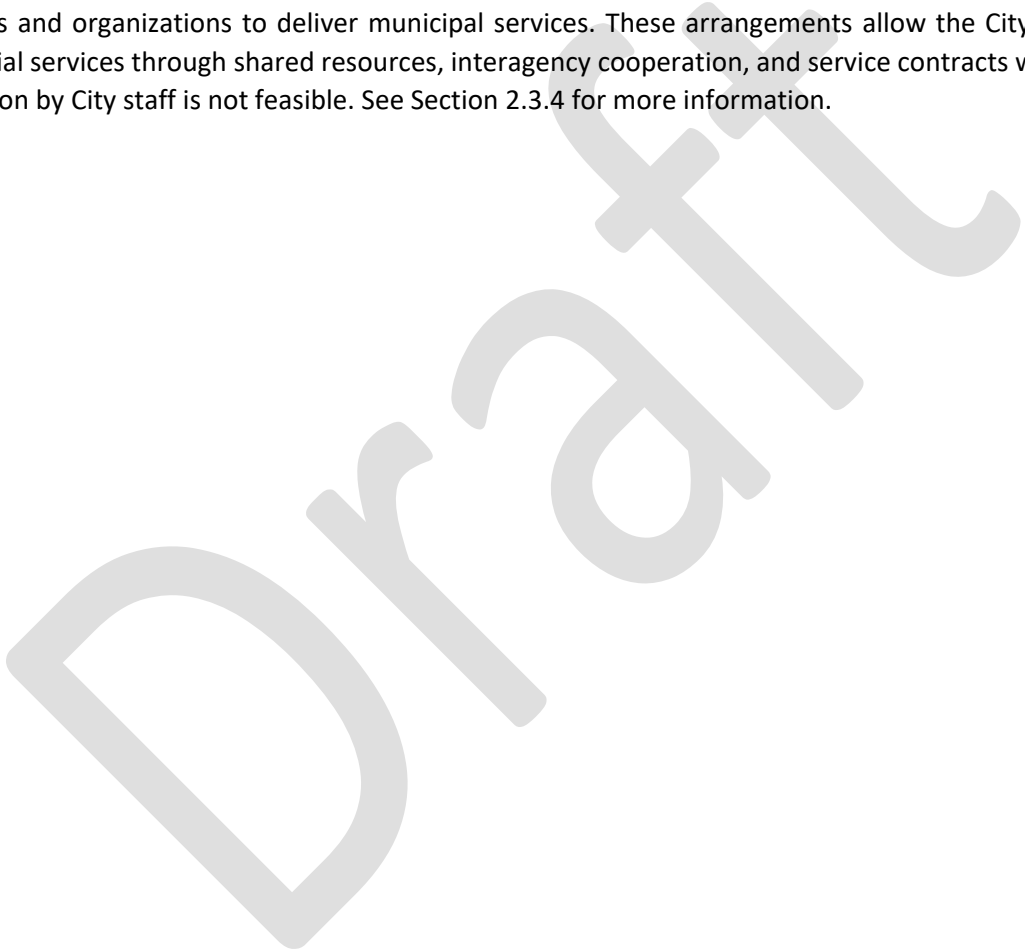
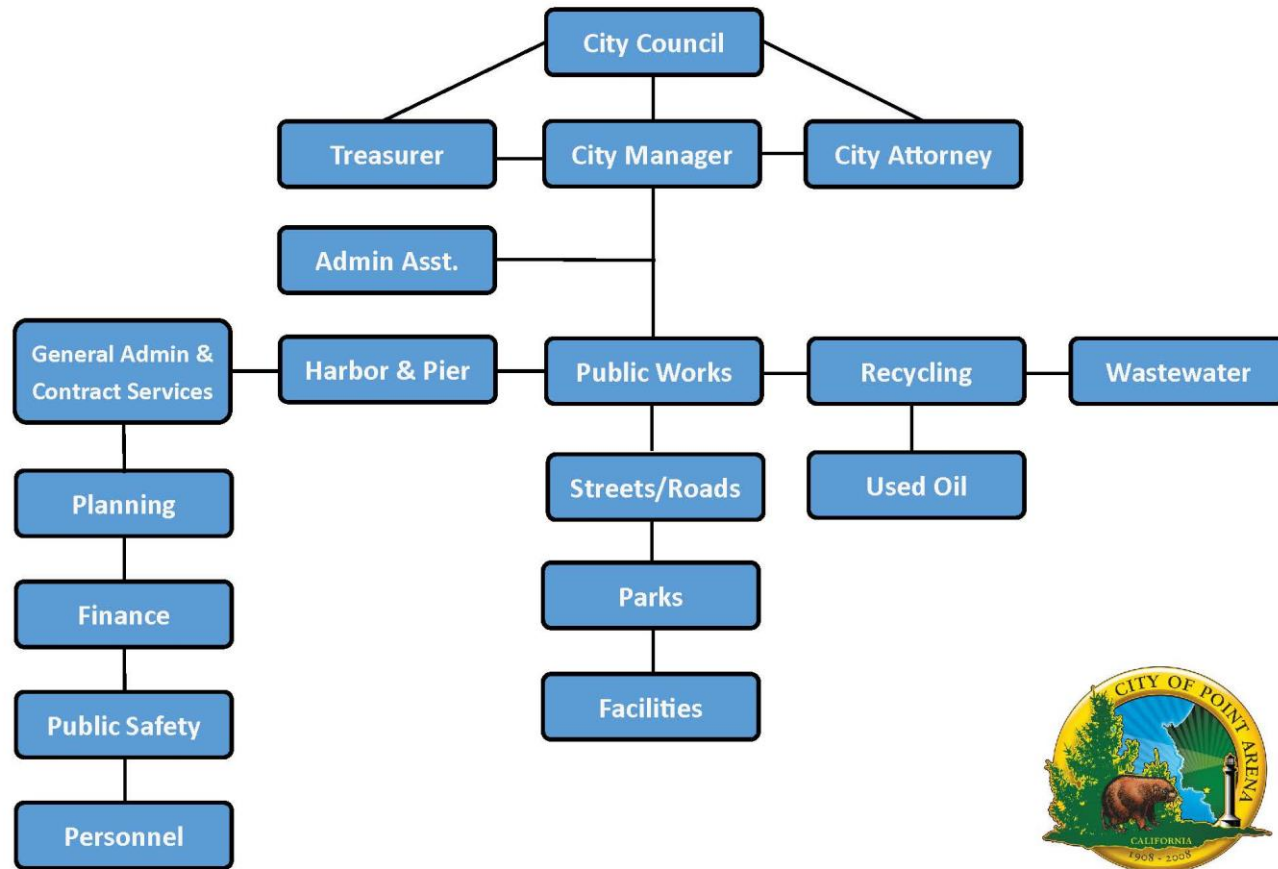


Figure 2-3: City of Point Arena Organization Chart

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 most 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.

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/1GsTjAjWTBXRMHNu26dWQq17F1agfBk5v/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

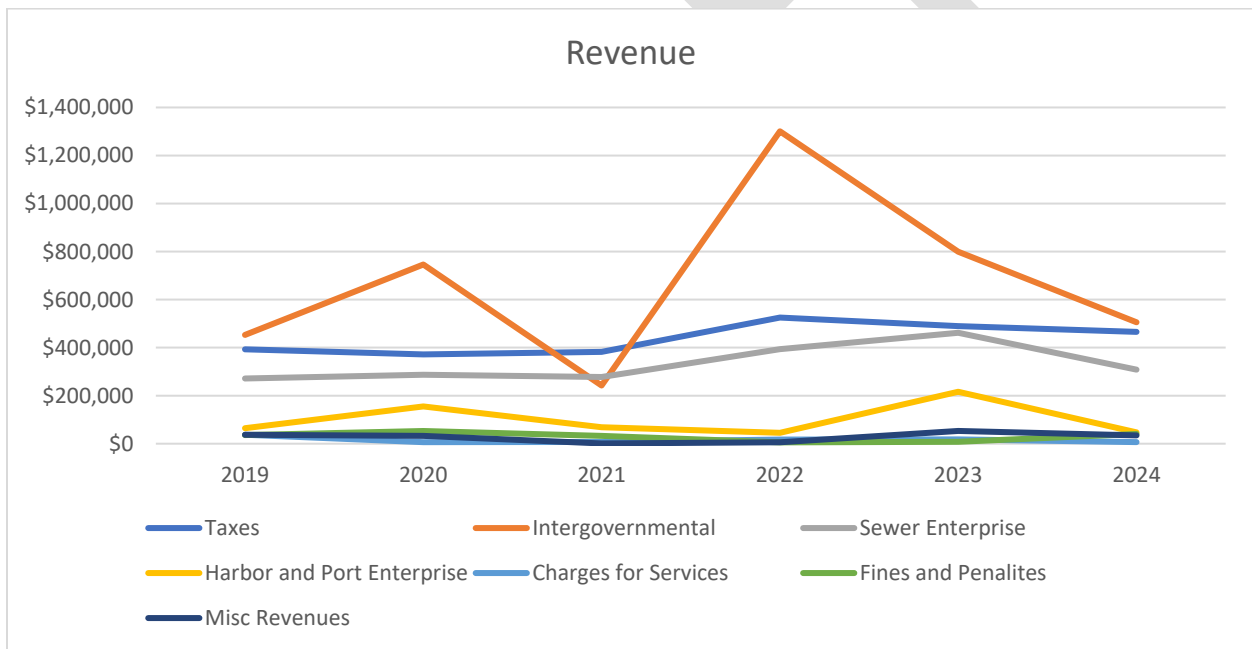
The City’s revenues are generally generated from three primary sources, which make up approximately 85 percent of the overall revenue:

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



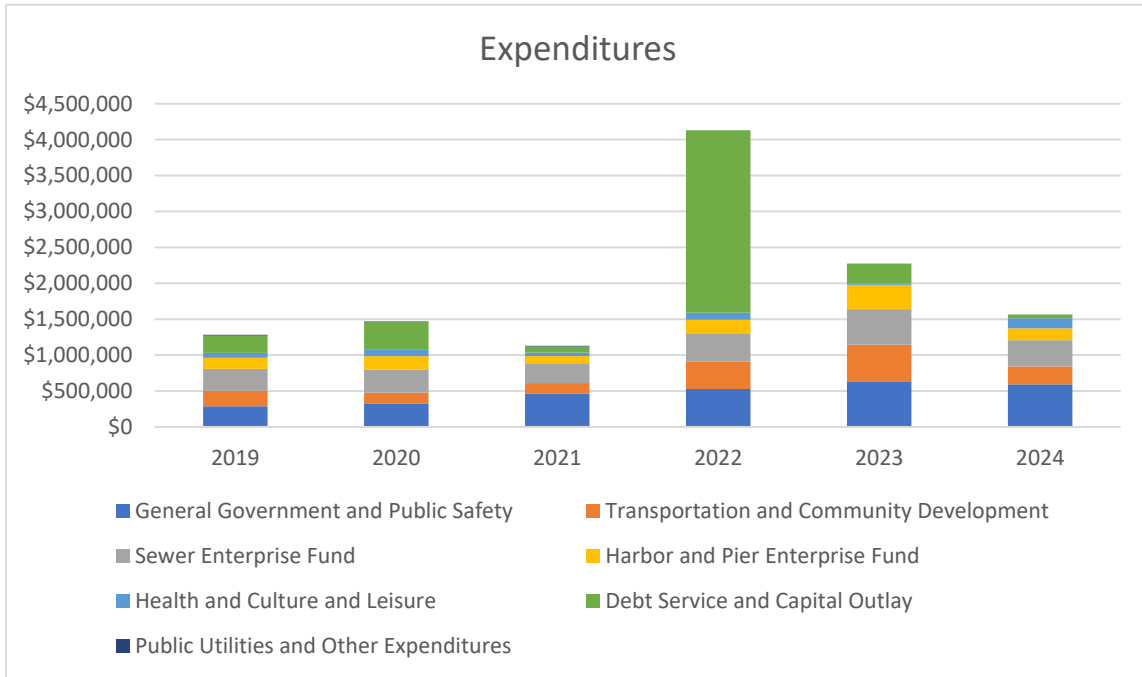
In FY 2024-25, a 0.875 percent sales tax increase was introduced as Measure X. The Measure received voter approval in November 2024 and was adopted by the City Council on December 10, 2024 ([Ordinance 244](#)).¹⁶ The sales tax is projected to generate approximately \$110,000 annually. (City of Point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

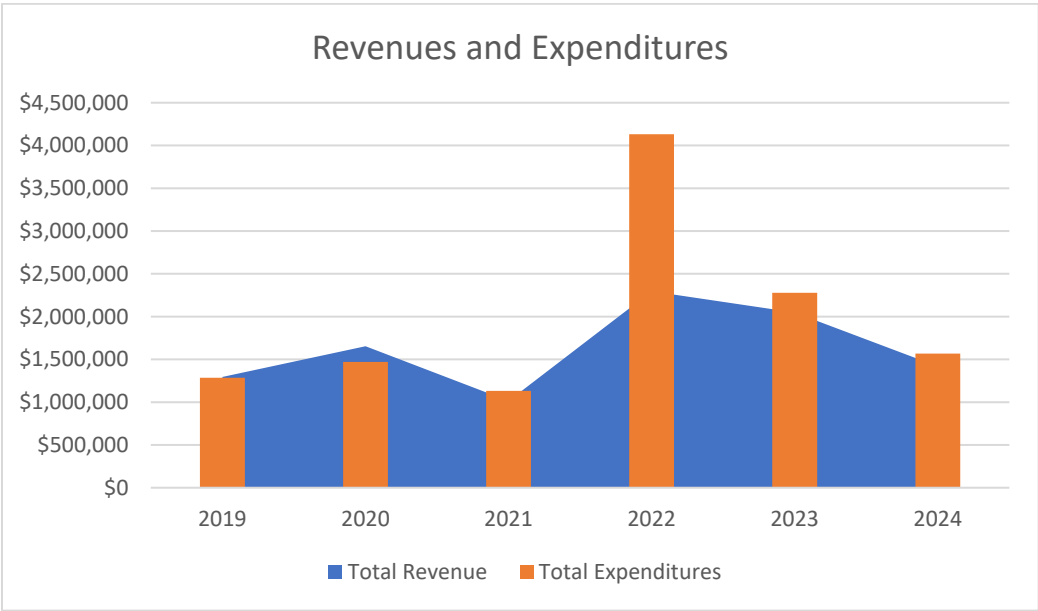


Community development expenses included grants from the Housing and HCD sponsored Small Business Employee Retention Grant Program in the amount of \$86,500, with planning and engineering costs accounting for \$171,131; the highest unreimbursed costs for the City. Even though planning fees, which should 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*
<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.

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).

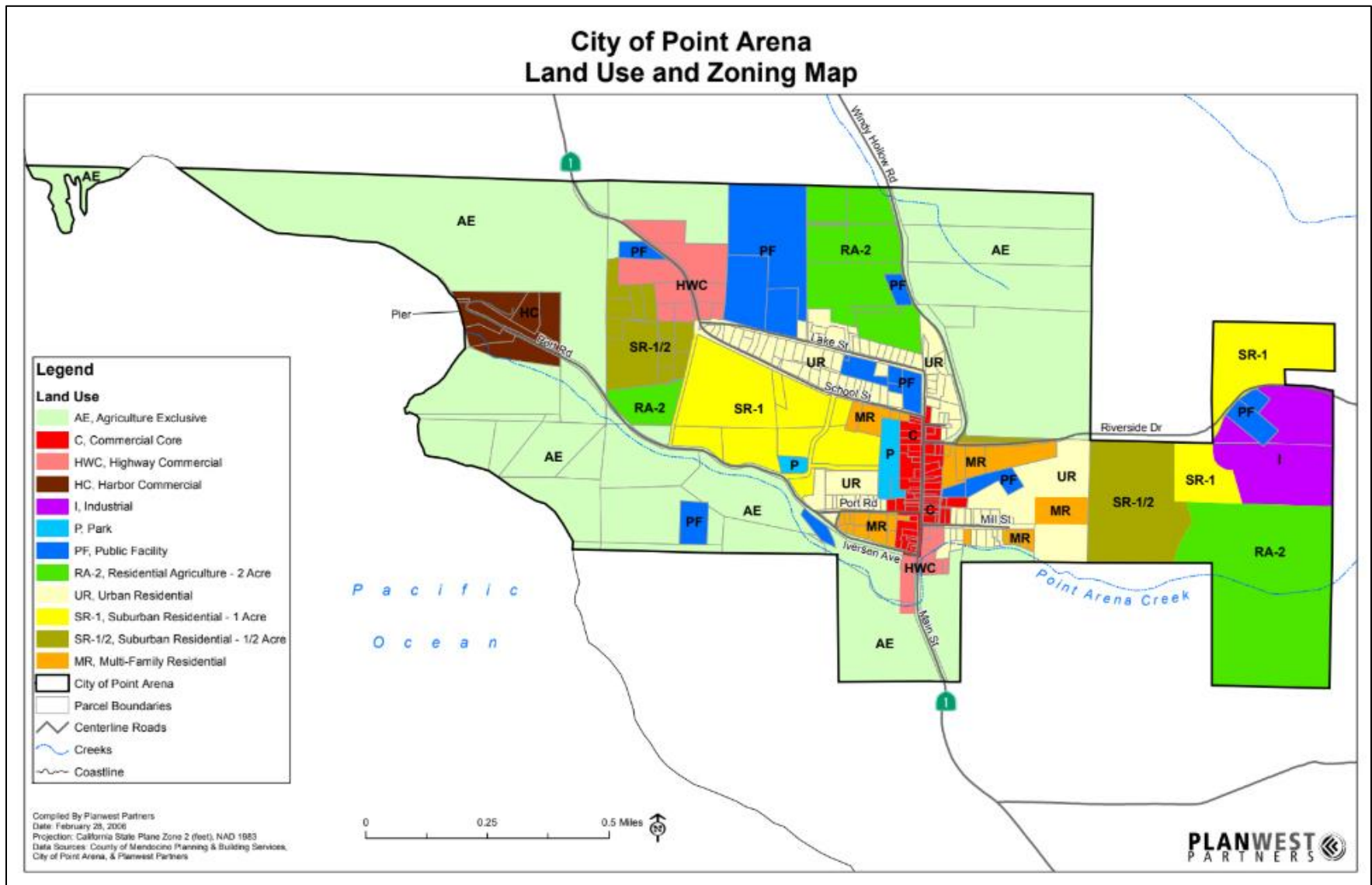
The City encompasses approximately 1.35 square miles (864 acres). Land use within the City is predominately residential use and is distributed throughout the community. Residential zoning designations include Suburban Residential (SR-1 and SR-½) with minimum lot sizes of 1 and ½ acres, Urban Residential (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.

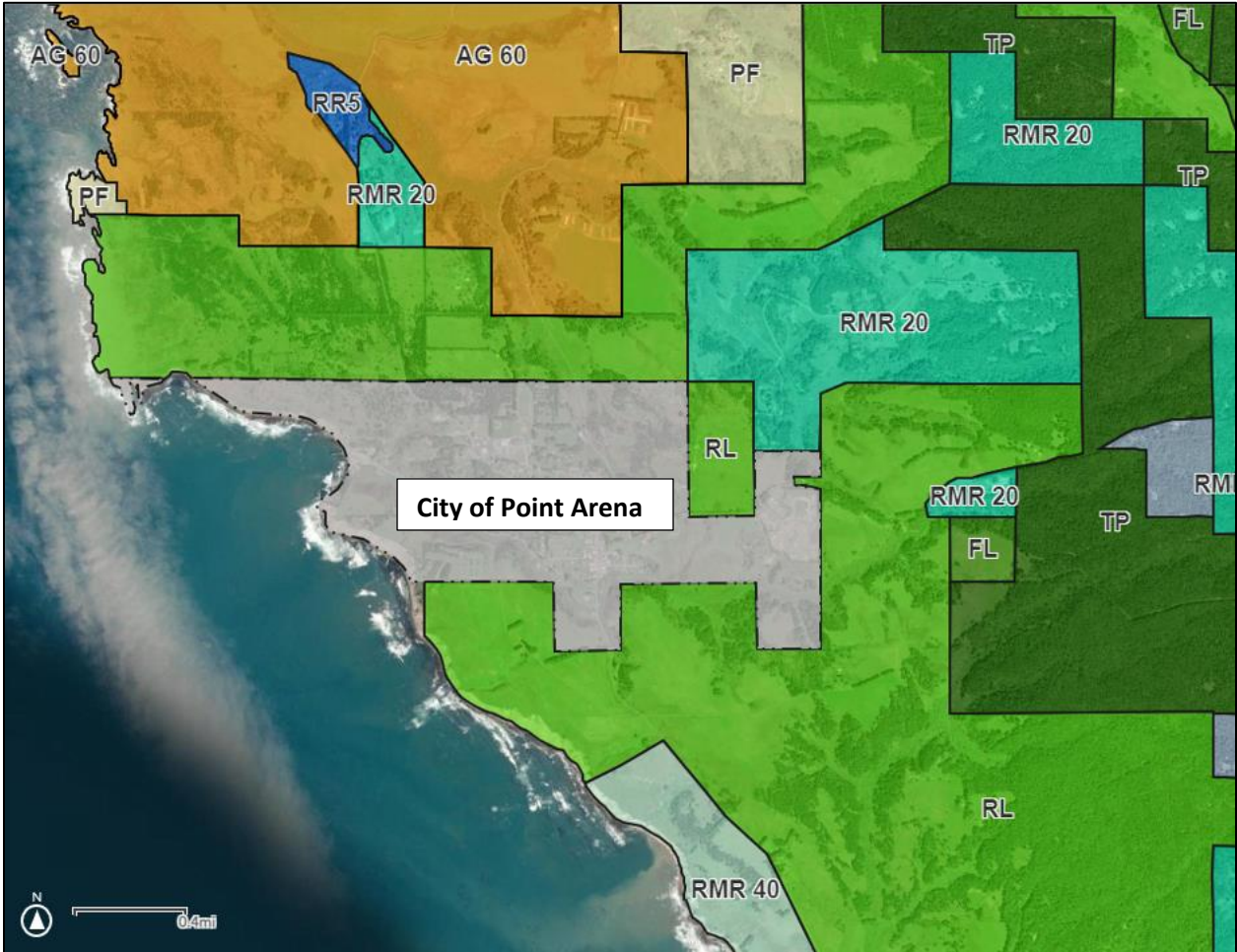
The City is surrounded by unincorporated areas of the County of Mendocino. Land uses adjacent to the City boundaries consist primarily of rural residential and agriculture areas. County zoning designations in the surrounding area include Rural Residential (RMR) with minimum parcel sizes of 5 and 20 acres, 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 CC and HC 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.

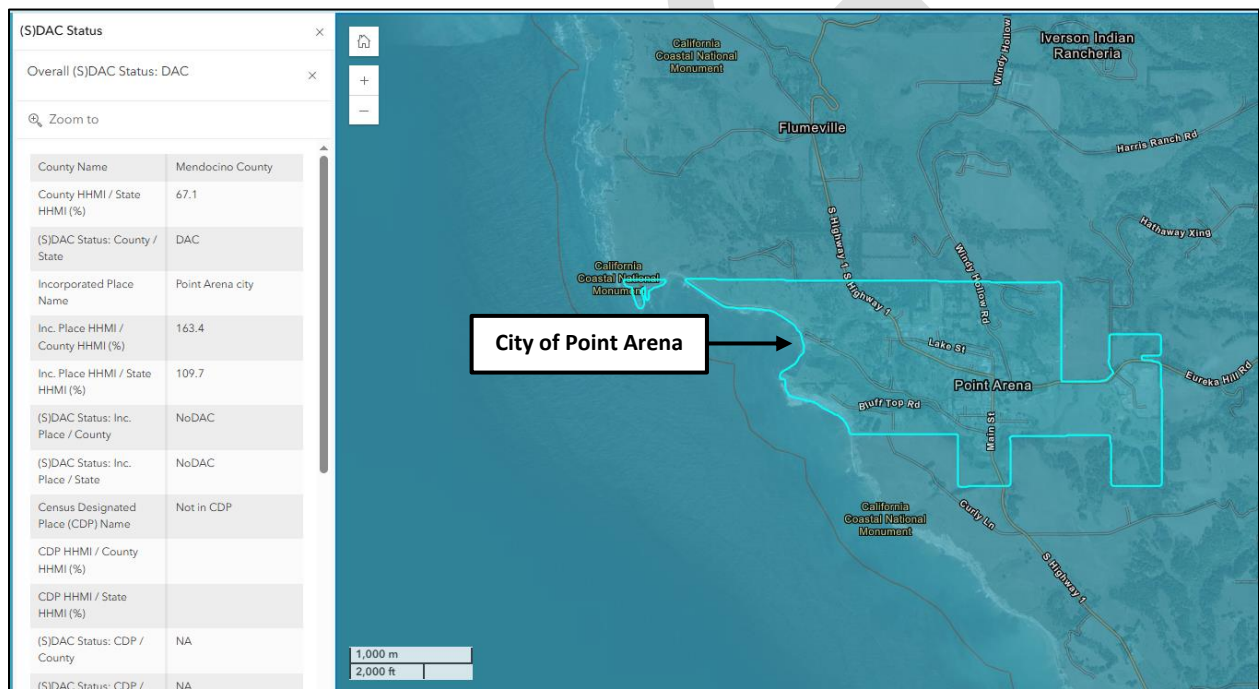
¹⁹ Census tracts are small, permanent geographic areas within counties that are delineated by a committee of local data users and normally designed to study demographics and population data of 2,500 to 8,000 residents (US Census 2013).

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 within 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 Nature 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 under an 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 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 Wynn Coastal 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](#)

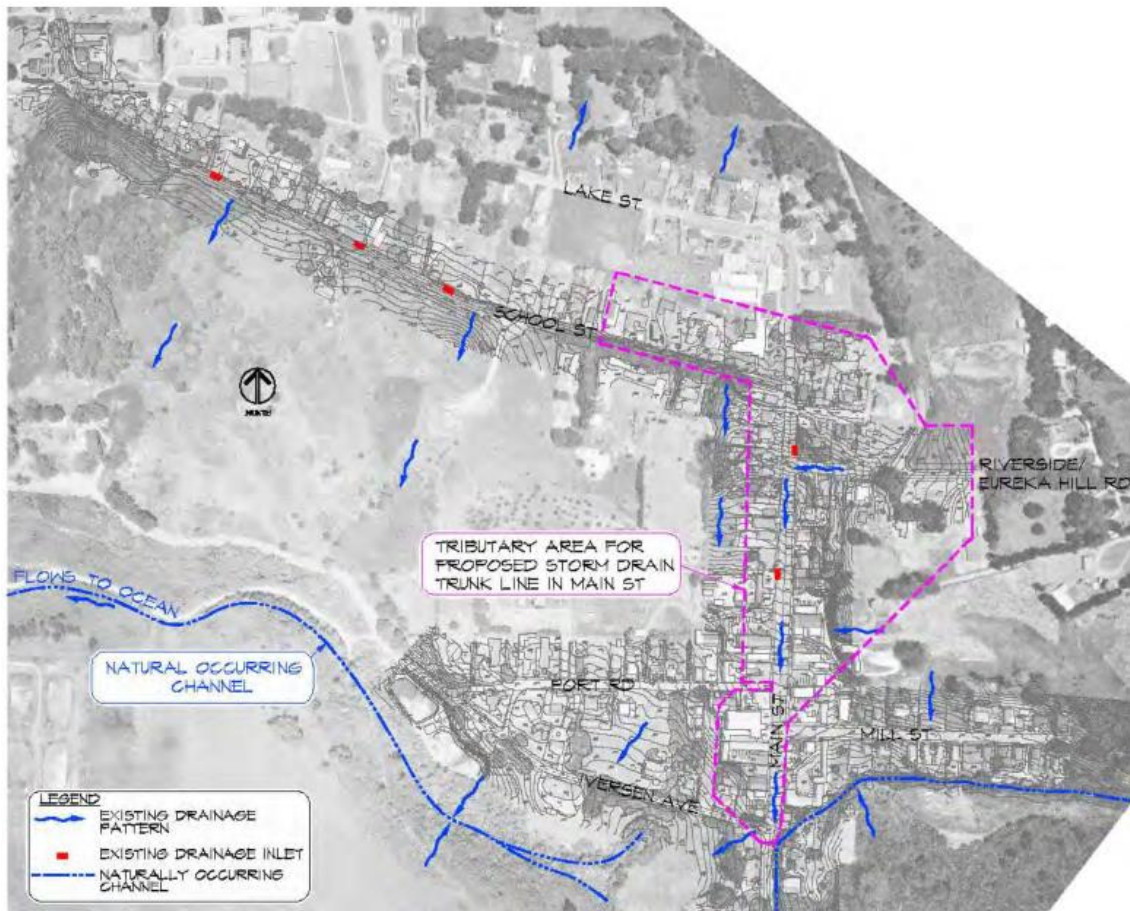
3.4.1 Service Overview

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.

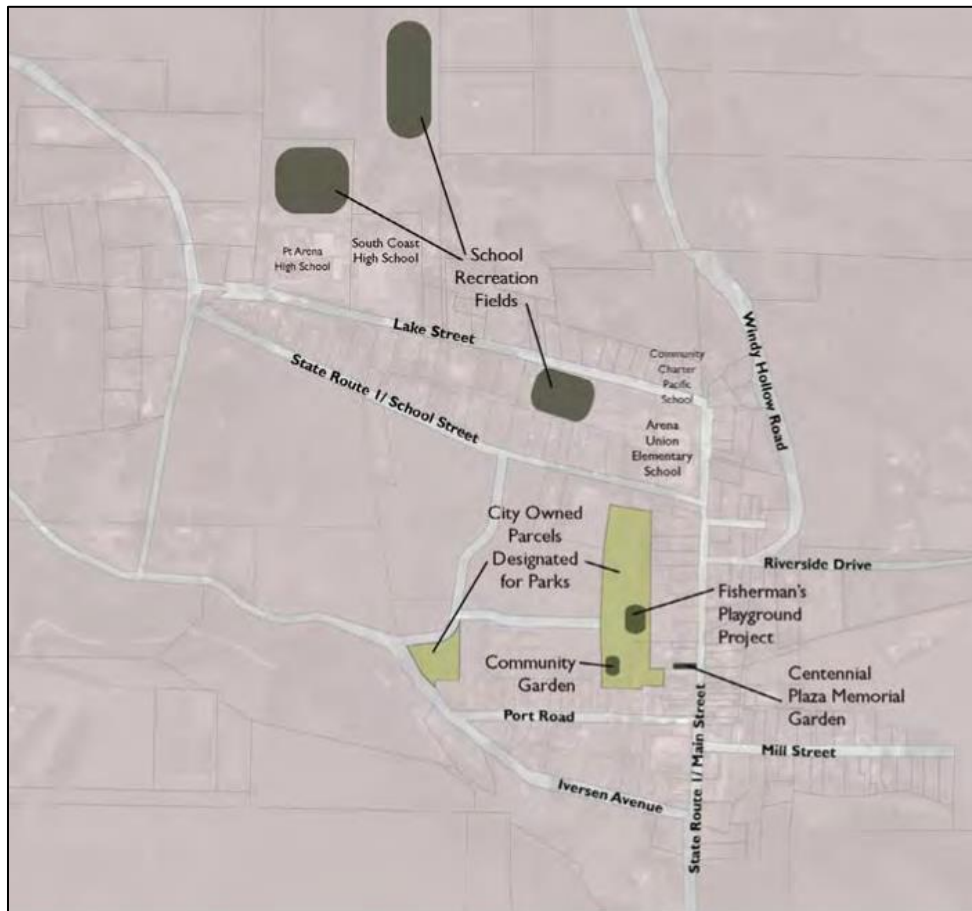
3.5.2 Facilities and Capacity

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).

Table 3-3: City Regulatory Measures

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 indicate 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 Office²⁴ (MCSO). 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 District²⁵ (CLSD). 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 (CPUD). 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 customers²⁷, 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 on June 25, 2024.
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 **Error! Reference source not found.** 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.

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6 ACKNOWLEDGEMENTS

6.1 Report Preparation

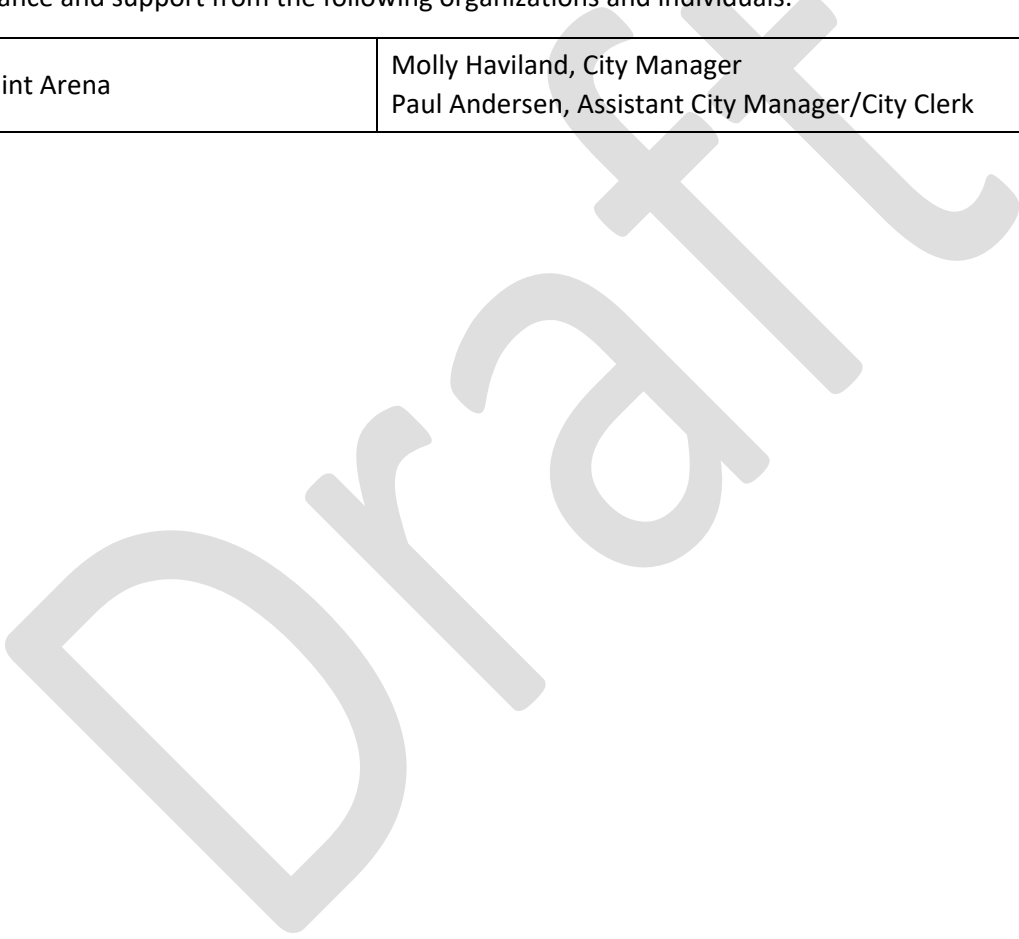
This Municipal Service Review and Sphere of Influence Update was prepared by Hinman & Associates Consulting, Inc., contracted staff for Mendocino LAFCo.

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 Havaland, City Manager Paul Andersen, Assistant City Manager/City Clerk
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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

Draft

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

Draft

7.4 Appendix D – City Financial Audits

Draft

**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

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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.

56,481

Net Position - Governmental Activities \$ 4,576,914

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

**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	<u>223,752</u>	<u>992,103</u>	<u>1,215,855</u>
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	<u>6,607</u>	<u>349</u>	<u>6,956</u>
Total current liabilities	12,896	773	13,669
Noncurrent liabilities:			
Advances from other funds	<u>126,682</u>	<u>363,469</u>	<u>490,151</u>
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
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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
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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
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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
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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
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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
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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:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>Fair Value</u>	<u>Fair Value Input Levels</u>
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:

<u>Description</u>	<u>Interest Rate</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Original Loan Amount</u>	<u>Balance</u>
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				<u>\$ 369,290</u>	<u>\$ 56,481</u>

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

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City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

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City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

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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

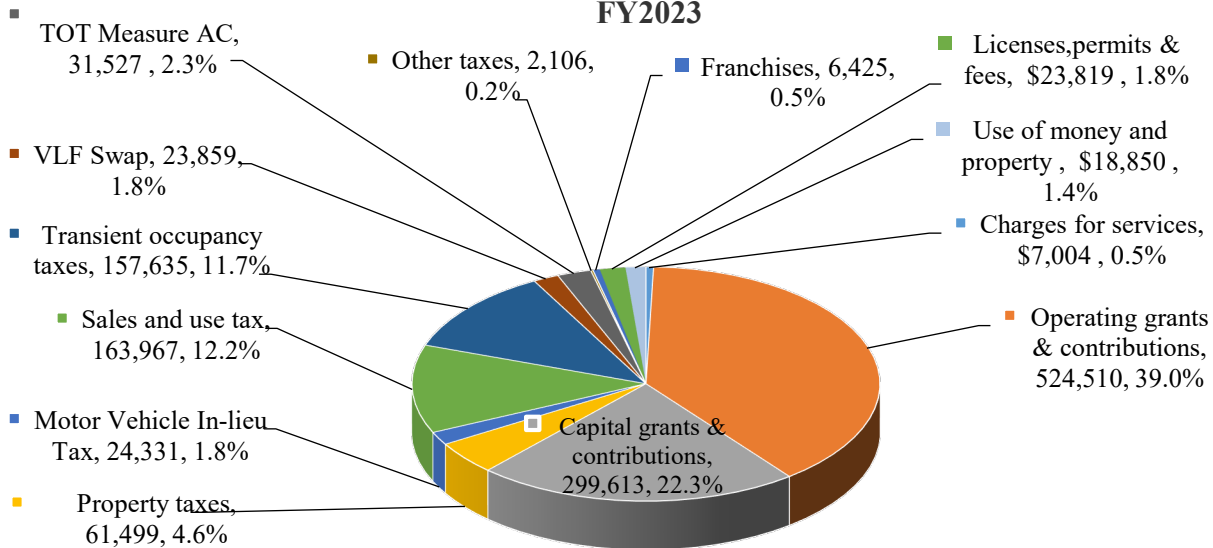
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

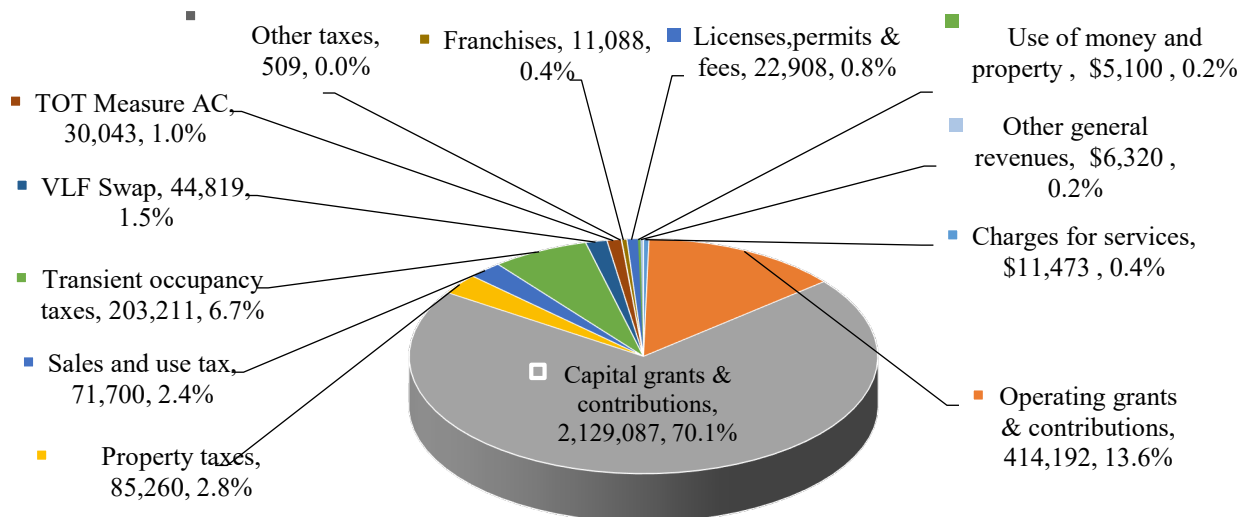
Governmental Activities, Continued

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

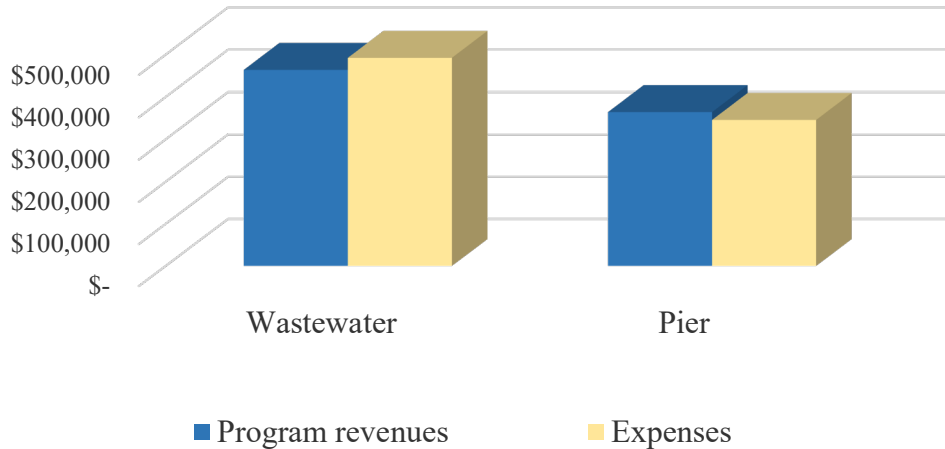
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

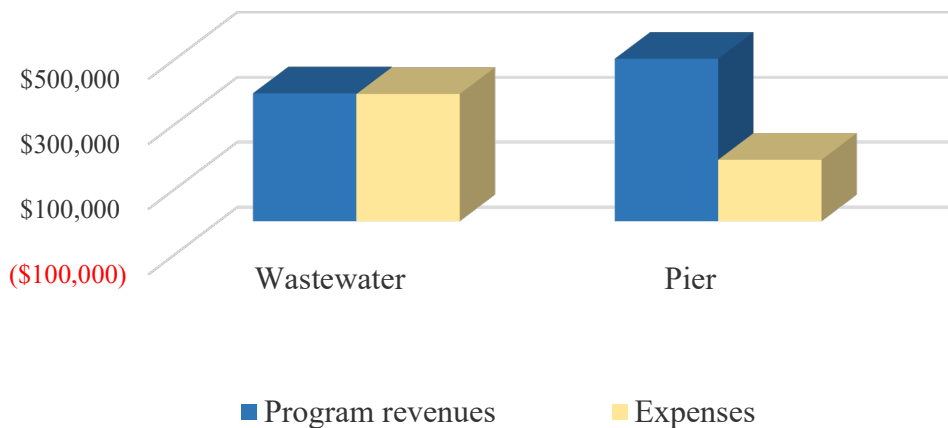
Business-type Activities

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.

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BASIC FINANCIAL STATEMENTS

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City of Point Arena, California
Statement of Net Position
June 30, 2023

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	<u>1,634,065</u>	<u>7,004</u>	<u>524,510</u>	<u>299,613</u>
Business-type activities:				
Wastewater	492,335	283,138	-	180,702
Pier	345,693	58,909	-	305,264
Total business-type activities	<u>838,028</u>	<u>342,047</u>	<u>-</u>	<u>485,966</u>
Total primary government	<u>\$ 2,472,093</u>	<u>\$ 349,051</u>	<u>\$ 524,510</u>	<u>\$ 785,579</u>

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>

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**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)	\$ -	\$ -	\$ -	\$ -

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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

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City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

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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	\$ 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	<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	27,331	27,331
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.

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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	<u>\$ 311,228</u>	<u>\$ 402,296</u>	<u>\$ -</u>	<u>\$ (407,102)</u>	<u>\$ 306,422</u>

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	\$ (288,920)
--	---------------------

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)	\$ -	\$ -	\$ -	\$ -

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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

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City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

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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	\$ 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	<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.

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Attachment 2

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:

NOES:

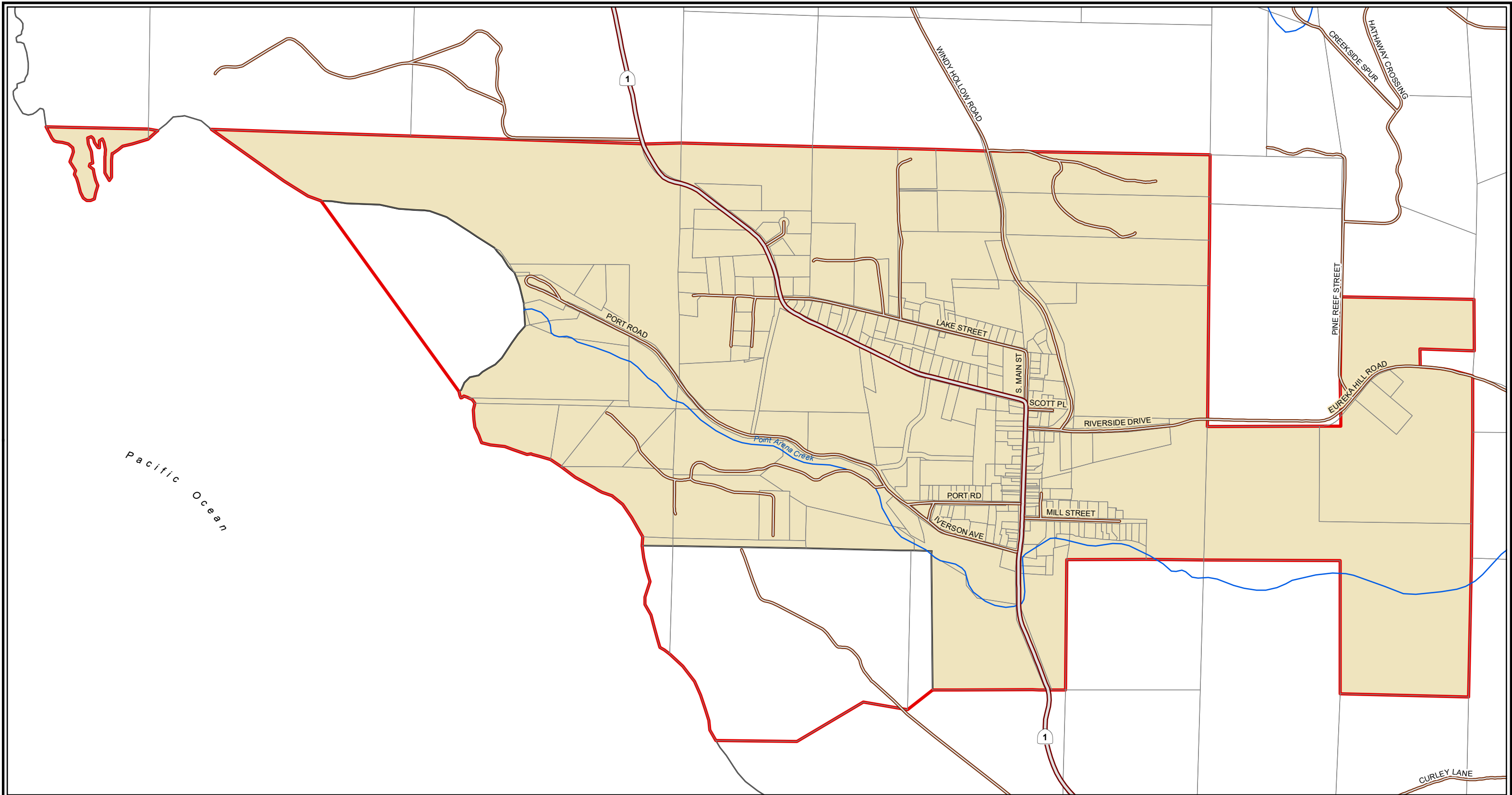
ABSTAIN:

ABSENT:

MAUREEN MULHEREN, Commission Chair

ATTEST:

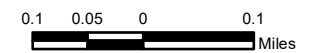
UMA HINMAN, Executive Officer



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



Attachment 3

Notice of Exemption

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk

County of: Mendocino

From: (Public Agency): Mendocino LAFCo
200 S School Street
Ukiah, CA 95482

(Address)

Project Title: City of Point Arena Municipal Service Review and Sphere of Influence Update 2026

Project Applicant: N/A

Project Location - Specific:

Incorporated City of Point Arena within the southwest portion of Mendocino County.

Project Location - City: Point Arena Project Location - County: Mendocino

Description of Nature, Purpose and Beneficiaries of Project:

This is a LAFCo-initiated Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the City of Point Arena (City/Point Arena) prepared in accordance with California Government Code Sections 56430 and 56425.

Name of Public Agency Approving Project: Mendocino Local Agency Formation Commission

Name of Person or Agency Carrying Out Project: Mendocino Local Agency Formation Commission

Exempt Status: **(check one):**

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: 15306 (Class 6 Exemption)
- Statutory Exemptions. State code number: _____

Reasons why project is exempt:

15306 (Information Collection): the MSR is a data collection and service evaluation study, does not make land use changes, and any future actions will be subject to additional environmental review.

15061(b)(3) (General Rule): the SOI 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.

Lead Agency

Contact Person: Uma Hinman, Executive Officer Area Code/Telephone/Extension: (707) 463-4470

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: _____ Date: 06/01/2026 Title: Executive Officer

▪ Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

Fort Bragg Advocate-News

415 Talmage Road Suite A
Ukiah, CA. 95482
legals@advocate-news.com

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

**PROOF OF PUBLICATION
(2015.5 C.C.P.)**

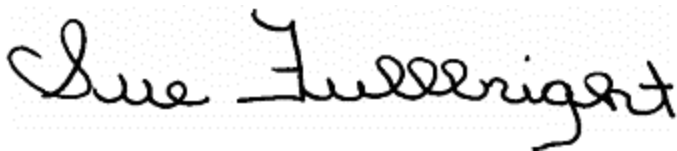
**STATE OF CALIFORNIA
COUNTY OF MENDOCINO**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the Office Clerk of the Fort Bragg Advocate-News, a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California under the date of May 9, 1952 - Case Number 9151, that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been printed in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates:

05/07/2026

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Fort Bragg, California,
May 7th, 2026



Sue Fullbright, LEGAL CLERK

Attachment 4

Legal No. **0006966422**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, June 1, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **City of Point Arena Municipal Service Review (MSR) and Sphere of Influence (SOI) Update.** The MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer. 5/7/2026

The Mendocino Beacon

415 Talmage Road Suite A
Ukiah, CA. 95482
legals@advocate-news.com

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

PROOF OF PUBLICATION (2015.5 C.C.P.)

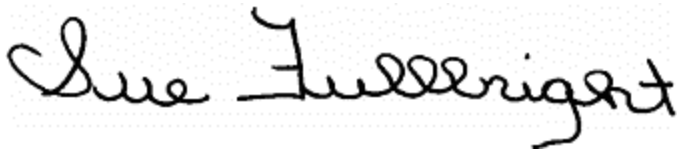
STATE OF CALIFORNIA COUNTY OF MENDOCINO

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the Office Clerk of the The Mendocino Beacon, a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California under the date of May 9, 1952 - Case Number 9151, that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been printed in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates:

05/07/2026

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Fort Bragg, California,
May 7th, 2026



Sue Fullbright, LEGAL CLERK

Legal No. **0006966423**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, June 1, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **City of Point Arena Municipal Service Review (MSR) and Sphere of Influence (SOI) Update**. The MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
5/7/2026

Ukiah Daily Journal

415 Talmage Road Suite A
Ukiah, CA. 95482
legals@ukiahdj.com

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

**PROOF OF PUBLICATION
(2015.5 C.C.P.)**

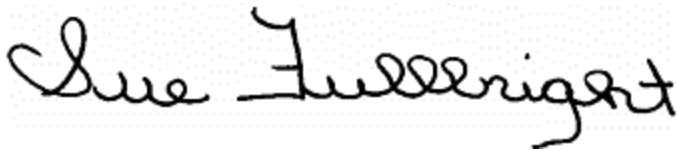
**STATE OF CALIFORNIA
COUNTY OF MENDOCINO**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer of the Ukiah Daily Journal, a newspaper of general circulation, printed and published daily in the City of Ukiah, County of Mendocino and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California, under the date of September 22, 1952, Case Number 9267; that the notice, of which the annexed is a printed copy (set in type not smaller than non-pareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

05/07/2026

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Ukiah, California,
May 7th, 2026



Sue Fullbright, LEGAL CLERK

Legal No. **0006966206**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, June 1, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at **www.youtube.com/MendocinoCountyVideo**, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **City of Point Arena Municipal Service Review (MSR) and Sphere of Influence (SOI) Update**. The MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (**www.mendolafco.org**) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: **eo@mendolafco.org**; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer. 5/7/2026