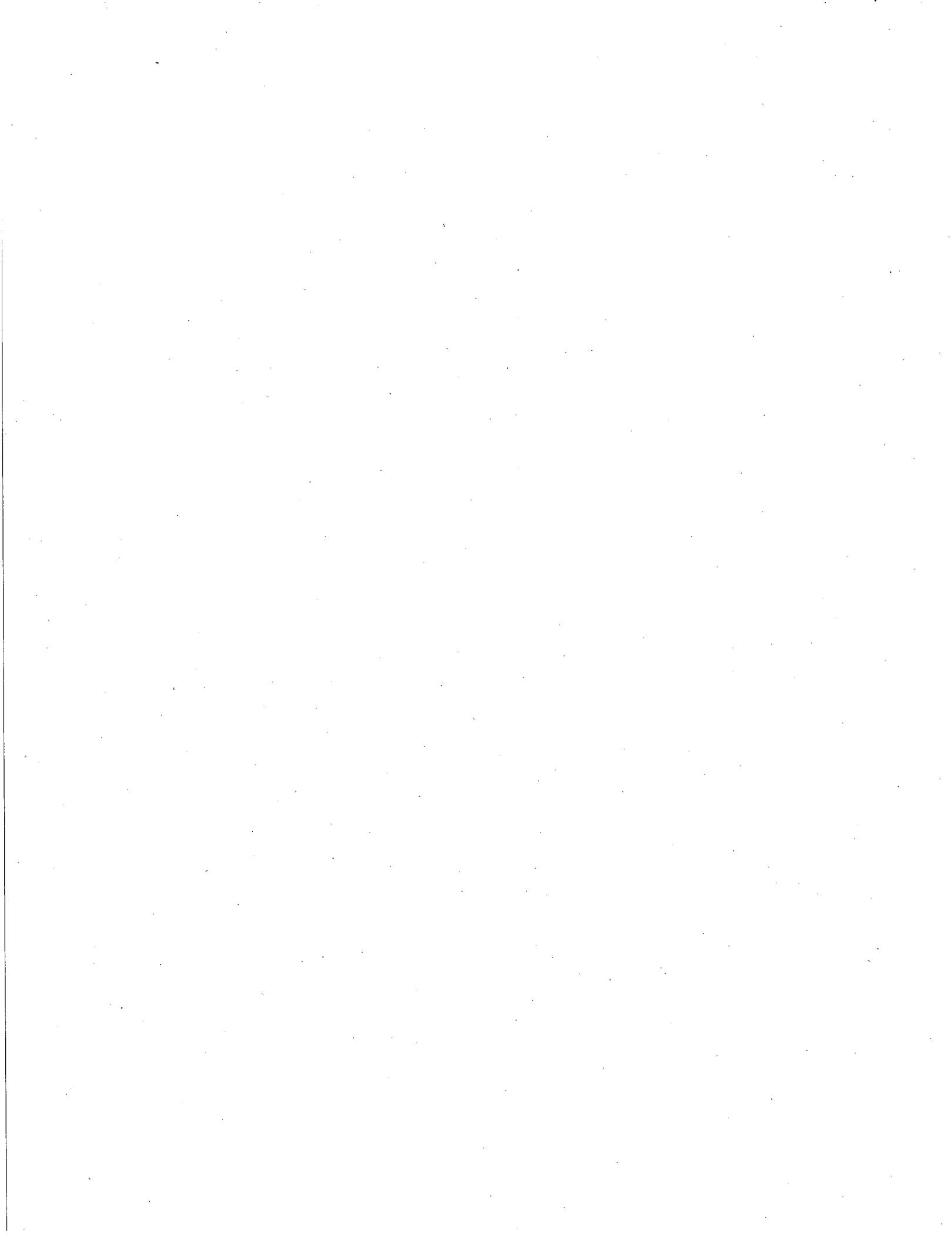


**CITY OF ARCATA
STATE OF CALIFORNIA**

**ANNUAL FINANCIAL REPORT
June 30, 2008**



CITY OF ARCATA
Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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Independent Auditor's Report

The Honorable Members of the City Council of the
City of Arcata
Arcata, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcata, California (City) as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcata, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2007, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*.

In accordance with Government Auditing Standards, we have also issued a report dated March 4, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and the budgetary comparison schedules of the General Fund, CDBG Housing Revolving Loan Special Revenue Fund, and the Housing Revolving Loan Special Revenue Fund on pages 68 and 69 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor funds financial statements, major capital project and debt service fund budgetary comparison schedules, and nonmajor funds budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements, major capital project and debt service fund budgetary comparison schedule, and nonmajor funds budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Beverly Hills, California
March 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the *City of Arcata's* annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the City's audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by about \$3.0 million over the course of this year's operations after conducting all City operations and programs. The assets of the City exceed its liabilities by about \$64.6 million at the end of the 2008 fiscal year. Of that amount, \$19.3 million (the unrestricted net assets) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- Overall City-wide revenues from all governmental and business-type activities decreased by about \$3.7 million compared to the 2007 fiscal year. Most of the decrease was from one-time capital grants from other governmental agencies that were received in 2007 which were not received again in 2008. The City's total expense of all programs in fiscal 2008 decreased by about \$1.0 million compared to the 2007 fiscal year; a 4.4 percent decrease. Most of this decrease resulted from the one-time development of low-income housing using HOME grant funds and the acquisition of timber property in 2007.
- The general fund reported a fund balance of \$3.76 million at the end of the 2008 fiscal year, an increase of about \$140 thousand. This increase resulted primarily from salary savings resulting from vacant positions and lower than anticipated expenditures for capital outlay.
- The City also ended the fiscal year with \$5.4 million reported in the proprietary funds (the amount of net assets available for use both restricted and unrestricted but excluding the investment in capital assets net of related debt).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* and budgetary schedules for nonmajor *governmental* funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety, general government, redevelopment, housing, parks and recreation, public works and streets were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like *businesses*, such as the City's water, wastewater, transit, solid waste, and stormwater systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor funds, each of which are added together and presented in single columns in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Figure A-1
Major Features of City of Arcata's Government-Wide and Fund Financial Statements

		Fund Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as general government, public safety, streets, public works, redevelopment, and housing, and government buildings	Activities the City operates similar to private businesses: the water, wastewater, transit, solid waste and stormwater systems
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The government-wide financial statements of the City are reported in two categories:

MANAGEMENT'S DISCUSSION AND ANALYSIS

- *Governmental activities* – All of the City's basic services are included here, such as general government, police, streets, public works, parks and recreation, and redevelopment. Property taxes, sales taxes, transient occupancy taxes, other taxes, user charges and fees and state, local and federal grants help to finance these activities.
- *Business-Type activities* - The City charges fees to customers to help cover the costs of certain services. The City's water, wastewater, transit, solid waste, and stormwater enterprises are reported here; all of such activities are considered to be major funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law, such as the State Gas Tax Funds and Redevelopment Low and Moderate Income Housing Fund.
- Some funds are maintained to demonstrate that the City is properly using certain specific revenues for their intended purpose (such as the City's HOME Grant Fund, CDBG Grant Fund, and COPS Fund). Other funds are maintained to demonstrate the City's ability to repay its long-term debt obligations such as the Redevelopment Agency Debt Service Fund.

The City has two kinds of funds:

- *Governmental funds* – The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's General Fund, CDBG and Home Revolving Loan Funds, and Redevelopment Debt Service and Capital Project funds are considered to be **major funds** because of the significance in 2008 of reported assets, liabilities, revenues or expenditures. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

Proprietary funds - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions reported as business-type activities in the government-wide financial statements; the City's water, wastewater, transit, solid waste, and stormwater operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Arcata's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The proprietary fund statements provide separate information for the City's water, wastewater, transit, solid waste, and stormwater operations, all of which are considered to be **major funds** of the City. The vehicle internal service fund is presented in a separate column alongside the totals for the City's proprietary enterprise funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's *combined* net assets increased about \$3.0 million between fiscal years 2007 and 2008. (See Table A-1.)

Table A-1
City of Arcata's Net Assets
 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Current and other assets	\$ 29.6	\$ 32.4	\$ 6.3	\$ 6.4	\$ 35.9	\$ 38.8	8.1%
Capital assets	29.3	29.2	16.7	17.0	46.0	46.2	0.4%
Total assets	58.9	61.6	23.0	23.4	81.9	85.0	3.8%
Long-term debt outstanding	14.0	14.1	3.7	3.6	17.7	17.7	0.0%
Other liabilities	1.8	1.8	0.8	0.8	2.6	2.6	0.0%
Total liabilities	15.8	15.9	4.5	4.4	20.3	20.3	0.0%
Net assets							
Invested in capital assets, net of related debt	15.2	15.9	13.5	13.6	28.7	29.5	2.8%
Restricted	15.0	15.8			15.0	15.8	5.3%
Unrestricted	12.9	14.0	5.0	5.3	17.9	19.3	7.8%
Total net assets	\$ 43.1	\$ 45.7	\$ 18.5	\$ 18.9	\$ 61.6	\$ 64.6	4.9%

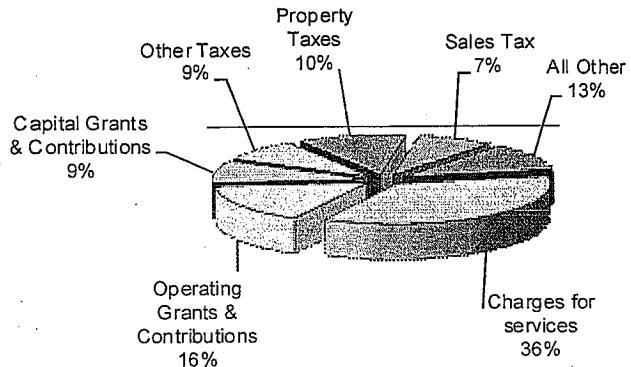
Net assets of the City's governmental and business-type activities increased \$3.0 million to \$64.6 million, a 4.9 percent increase. About 45.7 percent of the net assets of the City are represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. Cash, investments, and receivables essentially represent the remaining 54.3 percent. About 87.2 percent of the City's total liabilities are represented by long-term obligations including revenue bonds, tax allocation bonds, and certificates of participation.

Changes in net assets. The City's 2008 total revenues of about \$25.0 million was about \$3.7 million less than in 2007; about a 12.9 percent decrease. (See Table A-2) About 36 percent of the City's total revenue comes from some type of user fee or charges for services, another 25 percent comes from operating and capital grants from federal and state agencies, and about 26 percent comes from property taxes, sales taxes, and other types of taxes. The rest comes from investment income and other general revenues. The total cost of all programs and services in 2008 was about \$22.0 million and includes a wide range of services such as police services, streets, public works, general administration, redevelopment, parks and recreation, water, wastewater, transit, solid waste, and other activities.

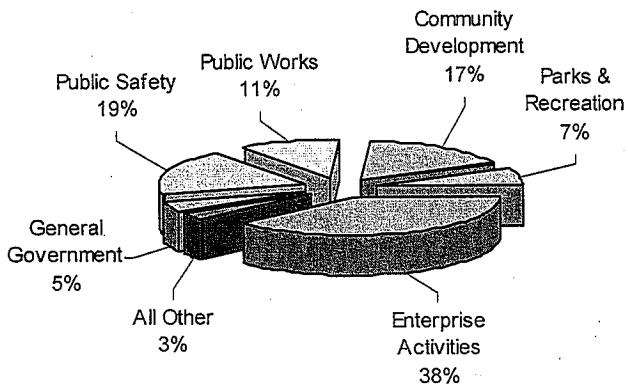
The Sources of the City's major types of revenue and the areas where such resources are used is shown below in summary graphic form:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sources of Revenue for Fiscal Year 2008



Functional Expenses for Fiscal Year 2008



Governmental Activities

Revenues from all governmental type activities in fiscal year 2008 decreased by about \$3.9 million on a net basis compared to fiscal 2007. Revenues from property taxes, sales taxes, hotel taxes, and other taxes increased modestly in 2008 as compared to the 2007 fiscal year. Most of the total revenue decrease resulted from the receipt of one-time capital grants from other governmental agencies were not received 2008, specifically HOME grant funds used for the development of low-income housing and various other grants received for the acquisition of open space property.

The City's primary source of governmental type revenue comes from some kind of tax. Approximately 34 percent of all City revenues of this kind come from taxes such as property, sales, transient occupancy, incremental property, and other taxes. Because the City of Arcata has an active redevelopment agency, about \$2.2 million or 31 percent of all governmental-type tax revenue comes from the incremental property tax generated by redevelopment activities.

The majority of the City's governmental-type operating expenses are incurred to provide police protection and services. This department accounts for about 30 percent of the City's total 2008 governmental operating expenses. Another 28 percent of the City's 2008 governmental activities operating expenses was spent on community development and redevelopment, 12 percent was incurred to provide a variety of cultural and recreation services, and the remaining 30 percent was spent on general administration, public works, and interest on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

When all operations were concluded, the governmental activities function generated a \$2.6 million increase in net assets for 2008 compared to \$4.7 million increase in 2007. The reason for this decrease in profitability was due primarily to higher employee costs, decreases in capital grants used to develop or acquire of low-income housing and timber property.

Table A-2
Changes in the City of Arcata's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Revenues							
Program revenues							
Charges for services	\$ 2.8	\$ 1.7	\$ 7.3	\$ 7.2	\$ 10.1	\$ 8.9	-11.9%
Grants and contributions	7.8	4.8	1.1	1.3	8.9	6.1	-31.5%
General revenues							
Sales taxes	2.0	2.0	-	-	2.0	2.0	0.0%
Property and other taxes	4.9	4.9	-	-	4.9	4.9	0.0%
Other	2.6	2.8	0.2	0.3	2.8	3.1	10.7%
Total revenues	20.1	16.2	8.6	8.8	28.7	25.0	-12.9%
Expenses							
General government	1.2	1.0	-	-	1.2	1.0	-16.7%
Public safety	4.0	4.1	-	-	4.0	4.1	2.5%
Public works	2.5	2.5	-	-	2.5	2.5	0.0%
Community development	5.4	3.7	-	-	5.4	3.7	-31.5%
Parks and recreation	1.5	1.6	-	-	1.5	1.6	6.7%
Interest on long-term debt	0.8	0.7	-	-	0.8	0.7	-12.5%
Water	-	-	2.6	3.2	2.6	3.2	23.1%
Wastewater	-	-	2.8	3.1	2.8	3.1	10.7%
Transit	-	-	1.0	1.0	1.0	1.0	0.0%
Solid waste	-	-	0.6	0.6	0.6	0.6	0.0%
Stormwater	-	-	0.5	0.5	0.5	0.5	0.0%
Total expenses	15.4	13.6	7.5	8.4	22.9	22.0	-3.9%
Increase (decrease) in net assets	\$ 4.7	\$ 2.6	\$ 1.1	\$ 0.4	\$ 5.8	\$ 3.0	-48.3%

Governmental Activities

While users and contributors funded about \$6.5 million of the costs of the City's governmental activity programs through related program revenues, the City still had to make up the short fall of about \$7.0 million using general revenues such as taxes. Major sources of program revenues were:

- Those who directly benefited from or used the programs (\$1.7 million), or
- Other governments and organizations that subsidized certain programs with grants and contributions (about \$4.8 million).

The City paid for the \$7.0 million "public benefit" portion out of the \$9.7 million in general revenues such as property taxes, hotel taxes, sales taxes, incremental property taxes, other tax revenues, and investment earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-3 presents the cost of each of the City's governmental-activities largest programs – administration or general government, public safety, streets, parks and recreation, and community development.

- The cost of *all programs* this year decreased from \$15.4 million to \$13.6 million, an 11.69 percent decrease.
- Spending decreased in 2008 because of the one-time development of low-income housing using HOME grant funds and the acquisition of timber property in 2007.

Table A-3
Cost of City of Arcata's Programs
Governmental Activities
(in millions of dollars)

	Total Cost of Services		Percentage Change
	2007	2008	
General government	\$ 1.2	\$ 1.0	-16.67%
Public safety	4.0	4.1	2.50%
Public works	2.5	2.5	0.00%
Community development	5.4	3.7	-31.48%
Parks and recreation	1.5	1.6	6.67%
Interest on long-term debt	0.8	0.7	-12.50%
Total	\$ 15.4	\$ 13.6	-11.69%

Business-Type Activities

The City's business-type activities (water, wastewater, transit, solid waste, and stormwater) were responsible for about a \$.0.6 million decrease in net assets in fiscal 2008. Table A-4 summarizes the change to net assets for each Business-type activity. Decreases to the water and wastewater funds resulted from increased costs of maintenance and the write-off of capitalized expenditures related to bond financing that was refunded during the year. The increase in the Transit fund results from higher than expected revenue from investment earnings and operating grants. The decrease to the solid waste fund results from decreased service fee and operating grant income. The increase to the Stormwater drainage fund results from reimbursement of costs associated with capital grants.

Table A-4
Changes in Net Assets
Business-type Activities
(in millions of dollars)

	2007	2008	Increase (Decrease)
Water	\$ 283,773	\$ (357,765)	\$ (641,538)
Wastewater	286,645	(36,620)	(323,265)
Transit	(140,184)	27,421	167,605
Solid Waste	161,541	40,956	(120,585)
Stormwater	411,119	755,261	344,142
	\$ 1,002,894	\$ 429,253	(573,641)

As the City completed the year, its governmental funds reported a *combined* fund balance of \$23.6 million, about \$1.8 million more than the last fiscal year. This increase resulted primarily from a decrease in the amount of actual expenditures and the fact that some budgeted capital expenditures did not occur until after fiscal year 2007/08.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Funds - Governmental

The City's general fund generated enough revenue to more than cover its operation costs or expenditures. Revenues were about \$3,886,000 higher in that regard, due in part to less than anticipated expenditures. The general fund started the 2007/08 fiscal year with a fund balance of \$3.6 million. After operations, the City's general fund ended the year with a \$3.8 million fund balance. Of this amount about \$541,000 was reserved for advances to other funds, notes receivable, and encumbrances leaving about \$3.22 million available to start the 2008/09 fiscal year.

The CDBG Revolving Loan Fund and the HOME Revolving Loan Fund ended the year with fund balances of \$260,000 and \$176,000, respectively. Of these amounts \$5,000 was reserved for encumbrances in the CDBG Revolving Loan Fund, leaving \$255,000 available to start the 2008/09 fiscal year.

The Redevelopment Agency's Capital Projects Fund ended the year with a fund balance of \$9.3 million, a gain of \$405,000.

The Redevelopment Agency's Debt Service Fund recognized \$1.7 million in incremental tax revenues in 2008 of which \$0.9 million was used for debt service payments on the tax allocation bonds and \$650,000 was transferred to other funds for various projects and administrative expenditures. This fund ended 2008 with a \$2.1 million fund balance which includes a \$0.9 million bond reserve fund set aside to cover any potential deficiency in future debt repayments.

Nonmajor Funds - Governmental

In addition, the City's nonmajor governmental funds ended the 2008 fiscal year with a combined fund balance of \$8.0 million. Of this amount, about \$2.1 million is restricted for redevelopment housing activities, \$1.5 million is restricted for street maintenance and reconstruction projects, \$1.1 million is in the City's PERS Phase-In, Capital Project, and Utility User Tax funds (these three funds are locally established and subject to City management decisions on their use). The remaining \$3.3 million can only be used for specific projects or activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories: changes made at the midyear budget review for unanticipated revenues and costs; and increases in revenue estimates and/or appropriations to incorporate unanticipated grant awards or to prevent budget overruns. Even with these adjustments, actual general fund expenditures were about \$1,044,000 less than final budget amounts. The changes made to the expenditure budget during the year were not significant – an increase of approximately \$135,000 due primarily to the rollover of prior year residual capital budgets, to the set up of additional grant awards, and to cover additional costs of liability insurance.

Business -Type Funds

The City's water enterprise ended 2008 with a strong unrestricted cash position of \$2,055,000 million. This fund experienced an operating loss of \$343,000 due to increased costs of maintenance and the write-off of capitalized expenditures related to bond financing that was refunded during the year.

The City's wastewater enterprise had \$1,471,000 unrestricted cash at year-end. The fund experienced an operating gain of \$135,000 for the year because charges for services had been increased slightly in order to build up adequate capital replacement reserves.

The transit fund ended 2008 with \$1,190,000 in cash available for operations and had a slight increase of net assets of about \$27,000, after non-operating revenues/expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The solid waste fund ended 2008 with \$211,000 in cash and had an operating income of about \$43,000.

The stormwater fund had no significant unrestricted cash at year-end; and showed an operating loss of \$141,000 for the year, but received intergovernmental grant funds of \$720,000 to offset various operating and capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had invested \$46.2 million in a broad range of capital assets, including land, buildings, streets and other infrastructure, vehicles, equipment, water and wastewater system, and other capital assets. (See Table A-4.) This is a slight increase from last year of \$0.2 million due various improvements to the City's infrastructure and the acquisition of open space.

This year's major capital asset additions included:

- Street reconstruction of several City streets
- Stormwater improvements to McDaniel's Slough

Additional information about the City's capital assets can be found on pages 51 through 53 of the notes to the basic financial statements.

Table A-4
Arcata's Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Land and Work in Process	\$ 8.7	\$ 8.7	\$ 4.2	\$ 4.8	\$ 12.9	\$ 13.5	4.7%
Buildings and structures	5.4	5.1	4.7	4.5	10.1	9.6	-5.0%
Machinery and equipment	0.4	0.5	0.5	0.5	0.9	1.0	11.1%
Underground facilities	-	-	4.5	4.5	4.5	4.5	0.0%
Improvements	3.6	3.5	2.2	2.1	5.8	5.6	-3.4%
Infrastructure	10.8	10.8	-	-	10.8	10.8	0.0%
Vehicles	0.4	0.6	0.6	0.6	1.0	1.2	20.0%
Total	\$ 29.3	\$ 29.2	\$ 16.7	\$ 17.0	\$ 46.0	\$ 46.2	0.4%

Long - Term Debt

At the end of fiscal 2008, the City's debt included \$12,715,000 in redevelopment tax allocation bonds and \$4,364,000 in private placement debt. Total debt outstanding on the City's bond/certificate of participation issues was reduced by principal payments of \$4,605,000 during the fiscal year. The City paid regular bond principal payments of \$235,000 and refinanced \$4,370,000 of outstanding 1997 Wastewater Revenue Bonds and the 1998 Certificates of Participation with private placement debt. The wastewater fund pays debt service on its private placement debt totaling \$2,055,000. The refunded certificate of participation debt is being retired from general fund and water revenues. The tax allocation bonds are paid for from the Redevelopment Agency's incremental property taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information about the City's long-term debt obligations can be found on pages 54 through 59 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2009 fiscal year, the City's adopted budget contains the following financial assumptions and structure:

- The service charges and fees for the City's water and wastewater fund will also increase by 3.0;
- The City of Arcata will receive a grant from the State to fully fund the School Resource Officer for 2008/09.
- The County of Humboldt will fund 50% of the Drug Task Force Officer;
- There will be no reduction to the amount of Vehicle License Fees or backfill the City receives from the State;
- The State will continue to fully backfill any reduction in Sales Tax revenue from implementation of the "triple flip";
- The City of Arcata will place an initiative on the ballot for a .75 percent increase in sales tax.

The City's budgeted appropriations for 2009 increased by \$2,305,000 from fiscal 2008, or 6.36 percent. There are a number of significant projects that have been appropriated for fiscal 2009. These include:

- Final adoption of the Land Use Code,
- Continuation of the McDaniel's Slough Enhancement project which will protect and restore wetlands adjacent to Humboldt Bay,
- Replacement of various sewer main lines with extensive infiltration and inflow,
- Construct gateway improvements on Samoa Boulevard,
- Environmental review and planning for Foster Avenue extension,
- FEMA repair work to Klopp Lake levee, oxidation pond levee and South I Street,
- Continue work on Panorama and Margaret Avenue water tank design and assessments,
- Replacement of financial information system in the Finance Department,
- Park improvements to Janes Creek Meadows playground, Larson Park and Valley West.

The General fund portion of 2009 budgeted appropriations is \$8.26 million, a slight increase of 1.55% compared to 2008 appropriations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Arcata, 736 F Street, Arcata, California 95521.

CITY OF ARCATA
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 15,741,494	\$ 4,932,029	\$ 20,673,523
Restricted assets:			
Cash and investments	299,318		299,318
Cash and investments with fiscal agents	7,809,115	758	7,809,873
Receivables:			
Accounts	161,933	800,882	962,815
Intergovernmental	1,125,543	148,729	1,274,272
Notes	7,000,810		7,000,810
Interest	71,157		71,157
Deposit	14,561		14,561
Internal balances	(391,182)	391,182	
Deferred charges, net of accumulated amortization	419,573	41,273	460,846
Inventory	139,262	69,255	208,517
Capital assets not being depreciated	8,653,709	4,841,000	13,494,709
Capital assets, net of accumulated depreciation	20,591,835	12,144,986	32,736,821
Total Assets	61,637,128	23,370,094	85,007,222
Liabilities:			
Accounts payable	779,175	539,500	1,318,675
Accrued liabilities	292,280	120,681	412,961
Accrued interest payable	271,234	7,364	278,598
Deposits payable	13,041	176,350	189,391
Other liabilities	309,137		309,137
Other postemployment benefits payable	125,098		125,098
Noncurrent liabilities:			
Due within one year	446,810	272,430	719,240
Due in more than one year	13,699,642	3,308,669	17,008,311
Total Liabilities	15,936,417	4,424,994	20,361,411
Net assets:			
Invested in capital assets, net of related debt	15,879,555	13,572,702	29,452,257
Restricted for:			
Capital Projects	310,789		310,789
Parks	366,604		366,604
Public Safety	222,399		222,399
Highways and Streets	1,911,165		1,911,165
Housing	12,391,528		12,391,528
Debt Service	652,838	298	653,136
Unrestricted	13,965,833	5,372,100	19,337,933
Total Net Assets	\$ 45,700,711	\$ 18,945,100	\$ 64,645,811

See Notes to Basic Financial Statements

CITY OF ARCATA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary Government:					
Governmental Activities:					
General government	\$ (1,008,274)	\$ 46,348	\$ -	\$ -	
Public safety	(4,113,902)	545,257	204,543		
Public works	(2,453,343)	160,170	324,846	1,496,239	
Community development	(3,762,087)	433,899	2,798,420		
Parks and recreation	(1,564,222)	529,413	5,500		
Interest on long-term debt	(756,431)				
Total Governmental Activities	(13,658,259)	1,715,087	3,333,309	1,496,239	
Business-type Activities:					
Water	(3,203,608)	2,766,377			
Wastewater	(3,114,728)	3,073,196			
Transit	(971,131)	403,216	584,324		
Solid waste	(645,505)	688,457	14,500		
Stormwater	(447,300)	296,177		720,525	
Total Business-type Activities	(8,382,272)	7,227,423	598,824	720,525	
Total Primary Government	\$ (22,040,531)	\$ 8,942,510	\$ 3,932,133	\$ 2,216,764	
General Revenues:					
Taxes:					
Property taxes					
Transient occupancy taxes					
Sales taxes					
Franchise taxes					
Utility users tax					
Other taxes					
Motor vehicle tax, unrestricted					
Use of money and property					
Other					
Transfers					
Total General Revenues and Transfers					
Change in Net Assets					
Net Assets at Beginning of Fiscal Year					
Net Assets at End of Fiscal Year					

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (961,926)	\$ (961,926)	
(3,364,102)	(3,364,102)	
(472,088)	(472,088)	
(529,768)	(529,768)	
(1,029,309)	(1,029,309)	
(756,431)	(756,431)	
<u>(7,113,624)</u>	<u>(7,113,624)</u>	
(437,231)	(437,231)	
(41,532)	(41,532)	
16,409	16,409	
57,452	57,452	
569,402	569,402	
<u>164,500</u>	<u>164,500</u>	
<u>(7,113,624)</u>	<u>164,500</u>	<u>(6,949,124)</u>
2,874,986	2,874,986	
891,224	891,224	
2,073,881	2,073,881	
264,713	264,713	
769,886	769,886	
248,712	248,712	
1,294,980	1,294,980	
1,088,559	228,894	1,317,453
221,798		221,798
(35,859)	35,859	
<u>9,692,880</u>	<u>264,753</u>	<u>9,957,633</u>
2,579,256	429,253	3,008,509
43,121,455	18,515,847	61,637,302
<u>\$ 45,700,711</u>	<u>\$ 18,945,100</u>	<u>\$ 64,645,811</u>

**CITY OF ARCATA
BALANCE SHEET
GOVERNMENTAL FUNDS**
June 30, 2008

	<u>Special Revenue Funds</u>		
	General	CDBG Housing Revolving Loan	Housing Revolving Loan
Assets:			
Cash and investments	\$ 3,501,718	\$ 231,295	\$ 69,770
Restricted assets:			
Cash and investments	299,318		
Cash and investments with fiscal agents	161		
Receivables:			
Accounts	10,354	16,355	34,266
Intergovernmental	742,011		
Notes	391,182	1,875,055	4,185,414
Interest	46,213		
Deposit			
Due from other funds	6,198	13,674	75,297
Inventory	7,637		
Advance to other funds			
Total Assets	<u>\$ 5,004,792</u>	<u>\$ 2,136,379</u>	<u>\$ 4,364,747</u>
Liabilities:			
Accounts payable	\$ 283,286	\$ 1,363	\$ 3,120
Accrued liabilities	251,217		
Due to other funds	391,182		
Deferred revenue		1,875,055	4,185,414
Deposits payable	5,941		
Other liabilities	309,137		
Advance from other funds			
Total Liabilities	<u>1,240,763</u>	<u>1,876,418</u>	<u>4,188,534</u>
Fund Balances:			
Reserved:			
Reserved for encumbrances	142,501	4,643	
Reserved for inventory	7,637		
Reserved for streets			
Reserved for job credits			
Reserved for debt service			
Reserved for long-term receivables	391,182		
Unreserved, designated for contingencies	150,000		
Unreserved reported in:			
General fund	3,072,709		
Special revenue funds		255,318	176,213
Capital projects funds			
Total Fund Balances	<u>3,764,029</u>	<u>259,961</u>	<u>176,213</u>
Total Liabilities and Fund Balances	<u>\$ 5,004,792</u>	<u>\$ 2,136,379</u>	<u>\$ 4,364,747</u>

See Notes to Basic Financial Statements

Capital Projects Fund	Debt Service Fund			
Community Development Agency Capital Projects	Community Development Agency	Other Governmental Funds	Total Governmental Funds	
\$ 2,347,220	\$ 1,560,809	\$ 7,489,753	\$ 15,200,565	
6,884,882	924,072		299,318	7,809,115
100,190	40,016	768	161,933	
24,500		343,516	1,125,543	
10,548		524,659	7,000,810	
		14,396	71,157	
		14,561	14,561	
		18,688	113,857	
		125,377	133,014	
		400,000	400,000	
<u>\$ 9,367,340</u>	<u>\$ 2,524,897</u>	<u>\$ 8,931,718</u>	<u>\$ 32,329,873</u>	
\$ 95,328	\$ -	\$ 342,027	\$ 725,124	
		35,409	286,626	
		113,857	505,039	
		416,987	6,477,456	
		7,100	13,041	
			309,137	
	400,000		400,000	
<u>95,328</u>	<u>400,000</u>	<u>915,380</u>	<u>8,716,423</u>	
28,783		2,425,983	2,601,910	
		125,377	133,014	
		60,432	60,432	
		60,800	60,800	
24,500	2,124,897		2,124,897	
		107,672	523,354	
		293,440	443,440	
			3,072,709	
9,218,729		4,631,845	5,063,376	
		310,789	9,529,518	
9,272,012	2,124,897	8,016,338	23,613,450	
<u>\$ 9,367,340</u>	<u>\$ 2,524,897</u>	<u>\$ 8,931,718</u>	<u>\$ 32,329,873</u>	

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CITY OF ARCATA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund balances of governmental funds	\$ 23,613,450
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.	28,353,973
Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds	6,477,456
Long-term debt and compensated absences have not been included in the governmental funds.	
Other postemployment benefits payable	(125,098)
Long-term debt	(13,602,398)
Compensated absences	(349,042)
Deferred charges, net of accumulated amortization for debt issuance costs on long-term debt have not been reported in the governmental funds.	419,573
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.	(271,234)
Internal service funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.	<u>1,184,031</u>
Net assets of governmental activities	<u>\$ 45,700,711</u>

See Notes to Basic Financial Statements

CITY OF ARCATA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		
	General	CDBG Housing Revolving Loan	Housing Revolving Loan
Revenues:			
Taxes and assessments	\$ 4,939,298	\$ -	\$ -
Licenses and permits	240,893		
Intergovernmental	1,441,300		
Charges for services	446,518		
Use of money and property	352,022	179,863	220,028
Fines and forfeitures	254,225		
Reimbursements			
Miscellaneous	105,657	256,250	102,551
Total Revenues	7,779,913	436,113	322,579
Expenditures:			
Current:			
General government	751,703		
Public safety	3,859,181		
Public works	600,672		
Community development	808,283	487,149	613,230
Parks and recreation	1,155,280		
Capital outlay	96,592		
Debt service:			
Principal retirement	48,616		
Interest and fiscal charges	71,717		
Total Expenditures	7,392,044	487,149	613,230
Excess of Revenues Over (Under) Expenditures	387,869	(51,036)	(290,651)
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(203,450)		
Proceeds from issuance of long-term debt	662,900		
Payment to refunded bond escrow agent	(707,000)		
Total Other Financing Sources (Uses)	(247,550)		
Net Change in Fund Balances	140,319	(51,036)	(290,651)
Fund Balances, Beginning of Fiscal Year	3,623,710	310,997	466,864
Fund Balances, End of Fiscal Year	\$ 3,764,029	\$ 259,961	\$ 176,213

See Notes to Basic Financial Statements

Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Community Development Agency Capital Projects	Community Development Agency		
\$ 451,616	\$ 1,746,118	\$ 591,745 74,453 3,751,509	\$ 7,277,161 315,346 5,192,809 446,518
		354,358 116,565 2,904 623,909	1,649,443 370,790 2,904 1,088,367
<u>451,616</u>	<u>1,837,674</u>	<u>5,515,443</u>	<u>16,343,338</u>
		318,426 216,191 611,509 2,266,311 241,941 1,110,062	1,070,129 4,075,372 1,212,181 4,419,266 1,397,221 1,206,654
	235,000 697,778		283,616 769,495
<u>244,293</u>	<u>932,778</u>	<u>4,764,440</u>	<u>14,433,934</u>
207,323	904,896	751,003	1,909,404
198,500	(650,000)	1,028,715 (409,624)	1,227,215 (1,263,074) 662,900 (707,000)
<u>198,500</u>	<u>(650,000)</u>	<u>619,091</u>	<u>(79,959)</u>
405,823	254,896	1,370,094	1,829,445
8,866,189	1,870,001	6,646,244	21,784,005
<u>\$ 9,272,012</u>	<u>\$ 2,124,897</u>	<u>\$ 8,016,338</u>	<u>\$ 23,613,450</u>

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CITY OF ARCATA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 1,829,445
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,199,954) are less than depreciation (\$1,587,567) in the current period.	(387,613)
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.	621,596
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.	327,716
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is the amount of amortization in the current period.	(9,938)
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.	23,002
Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	15,735
Other postemployment benefits payable was added to the Statement of Net Assets in the current period, due to early implementation of GASB Statement No. 45. This is the amount of the change in the payable in the current period.	(125,098)
Internal service funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	284,411
Change in net assets of governmental activities	<u><u>\$ 2,579,256</u></u>

See Notes to Basic Financial Statements

CITY OF ARCATA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Business-type Activities -
Enterprise Funds

	Water	Wastewater	Transit
ASSETS			
Current Assets:			
Cash and cash investments	\$ 2,055,393	\$ 1,470,512	\$ 1,190,411
Cash and investments with fiscal agents	298	460	
Accounts receivable, net	274,790	280,900	
Due from other funds	391,182		
Due from other agencies	10,271		75,000
Inventory	60,187	4,617	
Total Current Assets	<u>2,792,121</u>	<u>1,756,489</u>	<u>1,265,411</u>
Noncurrent Assets:			
Deferred issuance costs	16,496	24,777	
Capital assets:			
Land	214,546	374,603	
Depreciable buildings and structures, net	111,172	3,470,209	607,224
Depreciable underground facilities, net	2,352,014	2,200,467	
Depreciable improvements, net	958,339	659,764	90,870
Depreciable vehicles, net	41,103	371,526	550,246
Depreciable furniture and equipment, net	173,950	141,031	18,481
Total Noncurrent Assets	<u>3,693,670</u>	<u>7,101,346</u>	<u>1,266,821</u>
Total Assets	<u>6,485,791</u>	<u>8,857,835</u>	<u>2,532,232</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	118,137	142,797	271,260
Accrued liabilities	47,946	48,992	12,865
Accrued interest payable		7,364	
Deposits payable	173,950		
Current portion of long-term obligations	99,238	141,031	2,992
Total Current Liabilities	<u>439,271</u>	<u>340,184</u>	<u>287,117</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	34,464	36,092	8,977
Notes payable	1,143,350		
Capital lease payable		1,926,000	
Loan payable			
Total Noncurrent Liabilities	<u>1,177,814</u>	<u>1,962,092</u>	<u>8,977</u>
Total Liabilities	<u>1,617,085</u>	<u>2,302,276</u>	<u>296,094</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,462,570	5,046,346	1,266,821
Restricted for debt service	298		
Unrestricted	2,405,838	1,509,213	969,317
Total Net Assets	<u>\$ 4,868,706</u>	<u>\$ 6,555,559</u>	<u>\$ 2,236,138</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
Solid Waste	Stormwater	Totals		
\$ 210,759	\$ 4,954	\$ 4,932,029	\$ 540,929	
		758		
110,762	134,430	800,882		
		391,182		
20,074	43,384	148,729		
	4,451	69,255	6,248	
<u>341,595</u>	<u>187,219</u>	<u>6,342,835</u>	<u>547,177</u>	
		41,273		
	4,251,851	4,841,000		
3,521	279,583	4,471,709	927	
		4,552,481		
	391,595	2,100,568	2,770	
		550,246	643,354	
<u>38,872</u>		<u>469,982</u>	<u>244,520</u>	
<u>42,393</u>	<u>4,923,029</u>	<u>17,027,259</u>	<u>891,571</u>	
<u>383,988</u>	<u>5,110,248</u>	<u>23,370,094</u>	<u>1,438,748</u>	
688	6,618	539,500	54,051	
2,110	8,768	120,681	5,654	
		7,364		
	2,400	176,350		
<u>1,160</u>	<u>28,009</u>	<u>272,430</u>	<u>47,611</u>	
<u>3,958</u>	<u>45,795</u>	<u>1,116,325</u>	<u>107,316</u>	
3,481	11,893	94,907	11,848	
	144,412	144,412		
		1,143,350	135,553	
		1,926,000		
<u>3,481</u>	<u>156,305</u>	<u>3,308,669</u>	<u>147,401</u>	
<u>7,439</u>	<u>202,100</u>	<u>4,424,994</u>	<u>254,717</u>	
42,393	4,754,572	13,572,702	708,407	
		298		
334,156	153,576	5,372,100	475,624	
<u>\$ 376,549</u>	<u>\$ 4,908,148</u>	<u>\$ 18,945,100</u>	<u>\$ 1,184,031</u>	

CITY OF ARCATA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Business-type Activities -</u> <u>Enterprise Funds</u>	
	<u>Water</u>	<u>Wastewater</u>
Operating Revenues:		
Sales and service charges	\$ 2,755,854	\$ 2,725,868
Interdepartmental charges		
Other	10,523	347,328
 Total Operating Revenues	 2,766,377	 3,073,196
Operating Expenses:		
Salaries and benefits	1,057,235	1,091,245
Contractual services	87,497	328,920
Materials and supplies	89,656	167,959
Repairs and maintenance	547,519	331,819
Purchased water	452,658	
Utilities	59,707	155,659
Insurance	107,223	108,123
Taxes and fees	15,156	742
Allocated overhead	335,560	335,570
Depreciation	155,482	351,687
Amortization	201,434	66,187
 Total Operating Expenses	 3,109,127	 2,937,911
 Operating Income (Loss)	 (342,750)	 135,285
Nonoperating Revenues (Expenses):		
Interest revenue	110,516	63,862
Interest expense	(94,481)	(176,817)
Intergovernmental		
 Total Nonoperating Revenues (Expenses)	 16,035	 (112,955)
 Income (Loss) Before Transfers	 (326,715)	 22,330
Transfers in		
Transfers out	 (31,050)	 (58,950)
 Net Transfers	 (31,050)	 (58,950)
 Changes in Net Assets	 (357,765)	 (36,620)
Net Assets		
Beginning of fiscal year	5,226,471	6,592,179
End of fiscal year	 \$ 4,868,706	 \$ 6,555,559

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Transit	Solid Waste	Stormwater	Totals	
\$ 342,621	\$ 680,834	\$ 220,158	\$ 6,725,335	\$ 937,045
60,595	7,623	76,019	502,088	330
<u>403,216</u>	<u>688,457</u>	<u>296,177</u>	<u>7,227,423</u>	<u>937,375</u>
285,603	50,809	195,269	2,680,161	140,719
158,657	498,995	37,826	1,111,895	15,317
72,427	7,001	11,684	348,727	224,941
235,076	8,960	74,181	1,197,555	63,107
			452,658	
5,207		178	220,751	
40,434	3,899	19,496	279,175	58,485
		1,161	17,059	
55,410	65,430	74,830	866,800	
118,317	10,411	22,859	658,756	172,274
			267,621	
<u>971,131</u>	<u>645,505</u>	<u>437,484</u>	<u>8,101,158</u>	<u>674,843</u>
<u>(567,915)</u>	<u>42,952</u>	<u>(141,307)</u>	<u>(873,735)</u>	<u>262,532</u>
46,012	8,504		228,894	21,879
584,324	14,500	(9,816)	(281,114)	
		720,525	1,319,349	
<u>630,336</u>	<u>23,004</u>	<u>710,709</u>	<u>1,267,129</u>	<u>21,879</u>
<u>62,421</u>	<u>65,956</u>	<u>569,402</u>	<u>393,394</u>	<u>284,411</u>
<u>(35,000)</u>	<u>(25,000)</u>	<u>185,859</u>	<u>185,859</u>	
<u>(35,000)</u>	<u>(25,000)</u>	<u>185,859</u>	<u>35,859</u>	
27,421	40,956	755,261	429,253	284,411
<u>2,208,717</u>	<u>335,593</u>	<u>4,152,887</u>	<u>18,515,847</u>	<u>899,620</u>
<u>\$ 2,236,138</u>	<u>\$ 376,549</u>	<u>\$ 4,908,148</u>	<u>\$ 18,945,100</u>	<u>\$ 1,184,031</u>

**CITY OF ARCATA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water</u>	<u>Wastewater</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 2,926,385	\$ 3,277,044
Cash received from interfund services provided	(1,346,516)	(1,065,276)
Cash paid to suppliers for goods and services	(1,048,018)	(1,081,361)
Cash paid to employees for services	(335,560)	(335,570)
Net Cash Provided (Used) by Operating Activities	<u>196,291</u>	<u>794,837</u>
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental revenue	1,850	
Cash due from (to) other funds	(31,050)	(58,950)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(29,200)</u>	<u>(58,950)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(105,824)	(101,263)
Issuance of long-term debt	1,231,100	2,055,000
Issuance costs paid	(16,496)	(24,777)
Principal paid on long-term debt	(1,384,500)	(2,240,000)
Interest paid on long-term debt	(129,847)	(180,017)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(405,567)</u>	<u>(491,057)</u>
Cash Flows from Investing Activities:		
Interest received	<u>110,516</u>	<u>63,862</u>
Net Cash Provided (Used) by Investing Activities	<u>110,516</u>	<u>63,862</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(127,960)</u>	<u>308,692</u>
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>2,183,651</u>	<u>1,162,280</u>
Cash and Cash Equivalents at End of Fiscal Year	<u><u>\$ 2,055,691</u></u>	<u><u>\$ 1,470,972</u></u>
Reconciliation to Statement of Net Assets:		
Cash and investments	\$ 2,055,393	\$ 1,470,512
Cash and investments with fiscal agents	298	460
	<u><u>\$ 2,055,691</u></u>	<u><u>\$ 1,470,972</u></u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Transit	Solid Waste	Stormwater	Totals	
\$ 351,301	\$ 677,831	\$ 242,743	\$ 7,475,304	\$ - 937,375
(269,596)	(523,825)	(150,451)	(3,355,664)	(323,108)
(281,989)	(49,511)	(192,311)	(2,653,190)	(142,283)
<u>(55,410)</u>	<u>(65,430)</u>	<u>(74,830)</u>	<u>(866,800)</u>	<u></u>
<u>(255,694)</u>	<u>39,065</u>	<u>(174,849)</u>	<u>599,650</u>	<u>471,984</u>
584,324	14,500	720,525	1,319,349	
(35,000)	(25,000)	(27,599)	(25,749)	
		<u>185,859</u>	<u>(150,000)</u>	<u></u>
<u>549,324</u>	<u>(10,500)</u>	<u>878,785</u>	<u>1,329,459</u>	<u></u>
(53,150)		(660,697)	(920,934)	(485,380)
			3,286,100	240,799
		(28,734)	(41,273)	
		(9,816)	(3,653,234)	(57,635)
<u>(53,150)</u>	<u></u>	<u>(699,247)</u>	<u>(319,680)</u>	<u></u>
<u>46,012</u>	<u>8,504</u>	<u></u>	<u>(1,649,021)</u>	<u>(302,216)</u>
<u>46,012</u>	<u>8,504</u>	<u></u>	<u>228,894</u>	<u>21,879</u>
286,492	37,069	4,689	508,982	191,647
903,919	173,690	265	4,423,805	349,282
<u>\$ 1,190,411</u>	<u>\$ 210,759</u>	<u>\$ 4,954</u>	<u>\$ 4,932,787</u>	<u>\$ 540,929</u>
<u>\$ 1,190,411</u>	<u>\$ 210,759</u>	<u>\$ 4,954</u>	<u>\$ 4,932,029</u>	<u>\$ 540,929</u>
<u><u>\$ 1,190,411</u></u>	<u><u>\$ 210,759</u></u>	<u><u>\$ 4,954</u></u>	<u><u>758</u></u>	<u><u></u></u>
<u><u>\$ 1,190,411</u></u>	<u><u>\$ 210,759</u></u>	<u><u>\$ 4,954</u></u>	<u><u>\$ 4,932,787</u></u>	<u><u>\$ 540,929</u></u>

(Continued)

CITY OF ARCATA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008
(Continued)

	<u>Business-type Activities -</u> <u>Enterprise Funds</u>	
	<u>Water</u>	<u>Wastewater</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)		
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	155,482	351,687
Amortization	201,434	66,187
Adjustments:		
(Increase) decrease in due from other agencies	(10,271)	
(Increase) decrease in accounts receivable	151,372	203,848
(Increase) decrease in inventory	(5,464)	591
Increase (decrease) in accounts payable	18,364	27,355
Increase (decrease) in accrued liabilities	3,897	2,674
Increase (decrease) in compensated absences	5,320	7,210
Increase (decrease) in deposits payable	<u>18,907</u>	
Total Adjustments	<u>539,041</u>	<u>659,552</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 196,291</u>	<u>\$ 794,837</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Transit	Solid Waste	Stormwater	Totals	
\$ (567,915)	\$ 42,952	\$ (141,307)	\$ (873,735)	\$ 262,532
118,317	10,411	22,859	658,756	172,274
			267,621	
(51,915)	(3,804)	23,020	(42,970)	
	(6,822)	(76,454)	271,944	
		586	(4,287)	2,056
242,205	(5,066)	(6,611)	276,247	37,414
1,013	96	806	8,486	(728)
2,601	1,298	2,152	18,581	(1,564)
		100	19,007	
312,221	(3,887)	(33,542)	1,473,385	209,452
\$ (255,694)	\$ 39,065	\$ (174,849)	\$ 599,650	\$ 471,984

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CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The Arcata Joint Powers Financing Authority and Arcata Community Development Agency are legally separate entities for which the City is financially accountable and they are governed by the elected City Council. The Authority was formed to provide a method of financing public improvements. The financial activities of the Authority and Agency are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present financial information for the City of Arcata (the primary government) and its component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a fiscal year end of June 30. The blended component units are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, criteria for discrete disclosure within these basic financial statements.

Blended Component Units

The following blended component units are included in the reporting entity as though they were part of the primary government. Separate financial statements for the Arcata Community Development Agency are on file at the offices of the City of Arcata at 736 F Street, Arcata, California 95521.

ARCATA COMMUNITY DEVELOPMENT AGENCY

The Arcata Community Development Agency (Agency) was established under the provisions of the Community Development Law (California Health and Safety Code, commencing with Section 33000). The primary purpose of the Agency is to eliminate blighted areas by encouraging and assisting development of residential, commercial, industrial, recreational, and public facilities. The Agency receives incremental tax revenues on the developed property due to increases in assessed value. The Agency functions as an independent entity and its policies are determined by the Council of the City in a separate capacity as members of the Community Development Agency (Board). All staff work is performed by the officials and staff of the City, or by consultants to the Agency.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column.

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

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

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

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

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

The City applies all applicable GASB pronouncements (including all NGGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Fund financial statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund financial statements (Continued)

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

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

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Columns representing internal service funds are also presented in these statements. However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary fund financial statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The **CDBG Housing Revolving Loan Fund** is used to account for the activity in the City's CDBG revolving loan programs.

The **Housing Revolving Loan Fund** is used to account for the activity in the City's HOME revolving loan programs.

The **Community Development Agency Capital Projects Fund** is used to account for Agency projects other than housing.

The **Community Development Agency Debt Service Fund** is used to account for resources accumulated to pay debt service on Agency obligations.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government reports the following major proprietary funds:

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

The **Wastewater Fund** is used to account for the operation and maintenance of the City's wastewater treatment plant and collection facilities.

The **Transit Fund** is used to account for the City's bus system.

The **Solid Waste Fund** is used to account for residential and commercial garbage collection and disposal.

The **Stormwater Fund** is used to account for storm drain management.

Additionally, the government reports the following fund types:

The **Internal Service Fund** is used to account for financial transactions related to City's Garage Department. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

Transactions for interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Recognition of Interest Liability

Interest expenditures on long-term debt are recognized when payment is due. Government-wide and proprietary fund interest expense is recognized as the liability is incurred.

Use of Estimates

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

New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 45, No. 48, and No. 50 during the fiscal year ended June 30, 2008.

GASB Statement No. 45

For the fiscal year ended June 30, 2008, the City early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions". This Statement is effective for periods beginning after July 1, 2009 for a Phase 3 government (1999 total revenues less than \$10 million). This Statement establishes standards for accounting and financial reporting for state and local government employees that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. See note 11b for more details of the City's Plan and the effect on the financial statements.

GASB Statement No. 48

This statement is effective for periods beginning after December 15, 2006 and establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the City's basic financial statements for the fiscal year ended June 30, 2008.

GASB Statement No. 50

For the fiscal year ended June 30, 2008, the City implemented GASB Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27". The statement is effective for periods beginning after June 15, 2007. This statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Under provisions of the City's investment policy, the City may invest in any instruments authorized by Section 53601 of the California Government Code.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

Monies held by bond trustees are invested, as followed by California Government Code Section 53601 (1), in accordance with the provisions of the respective bond indentures involved.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents, including cash with fiscal agents.

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of any allowance for uncollectible accounts.

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

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

3. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventories of governmental funds are recorded as expenditures when used or consumed.

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Buildings and improvements	15 - 40
Public domain infrastructure	50
System infrastructure	50
Vehicles and equipment	7 - 10

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

7. Long-Term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Net Assets and Fund Equity

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the County of Humboldt for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

8. Property Taxes (Continued)

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

The County of Humboldt levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County of Humboldt. The Teeter Plan authorizes the Auditor/Controller of the County of Humboldt to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of Humboldt remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.

The governmental funds balance sheet includes a reconciliation between fund balance of total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets are not financial resources and are not reported in the funds.” The details of this difference are as follows:

Capital assets	\$ 68,814,028
Less: Accumulated depreciation	<u>(40,460,055)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental activities	<u>\$ 28,353,973</u>

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

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets (Continued).

Long-Term Debt Obligations and Related Interest	
Tax allocation bonds	\$ 12,715,000
Leases payable	662,900
Accrued interest on bonds	271,234
Energy commision loan	63,339
Compensated absences-vacation and sick leave provision	349,042
Bond premiums	<u>161,159</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 14,222,674</u>

Internal service funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The assets and liabilities of the internal service fund must be added to the *Statement of Net Assets*.

Internal service funds net assets - beginning of year	\$ 899,620
Change in net assets	284,411
	<u>\$ 1,184,031</u>

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

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

Capital outlay	\$ 1,199,954
Depreciation expense	(1,587,567)
Repayment of long-term debt principal	283,616
Issuance of long-term debt	(662,900)
Vacation and sick leave provision	15,735
Payment to refunded bond escrow agent	<u>707,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ (44,162)</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual appropriated budgets are adopted for all funds of the City. Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers, and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

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

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

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

Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2008:

Nonmajor Funds

POST	\$ (5,033)
STIP	(38,755)
HOME Grant	(17,482)

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues. The fund balances/net assets will be restored in the near future as revenues are received.

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

Fund	Final Appropriations	Expenditures	Excess
Major Governmental Fund:			
CDBG Housing Revolving Loan	\$ 257,000	\$ 487,149	\$ (230,149)
Housing Revolving Loan	210,000	613,230	(403,230)

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 20,673,523
Restricted cash and investments	299,318
Restricted cash and investments with fiscal agents	<u>7,809,873</u>
Total cash and investments	<u>\$ 28,782,714</u>

Cash and investments as of June 30, 2008 consist of the following:

Petty cash	\$ 1,285
Deposits with financial institutions	4,868,291
Investments	<u>23,913,138</u>
Total cash and investments	<u>\$ 28,782,714</u>

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

The table below identifies the investment types that are authorized for the City of Arcata (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	180 days	30%	None
Commercial Paper	180 days	15%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	None
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity</u>					
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>Over 60 Months</u>
U.S. Treasury notes	\$ 1,840,286	\$ -	\$ 204,032	\$ 647,016	\$ 214,897	\$ 774,341	\$ -
Money Market Funds	100,773	100,773					
Federal agency securities	5,425,000	541,481	1,440,247	1,373,847	1,577,898	491,527	
Corporate medium term notes	506,208	298,489	207,719				
State investment pool	7,931,680	7,931,680					
Certificates of deposit*	299,318				299,318		
Held by bond trustees:							
Money market funds	608,813	608,813					
Federal agency securities	7,201,060	6,943,115	158,016		99,929		
Total	\$ 23,913,138	\$ 16,424,351	\$ 2,010,014	\$ 2,020,863	\$ 2,192,042	\$ 1,265,868	\$ -

* This investment was a requirement of collateral for the note payable to Umpqua Bank, and is not subject to the City's investment policy.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End				Not Rated
				AAA	AA	A	-	
U.S. Treasury notes	\$ 1,840,286	N/A	\$ 1,840,286	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	100,771	N/A		100,771				
Federal agency securities	5,425,000	N/A		5,425,000				
Corporate medium term notes	506,208	N/A		100,074	406,134			
State investment pool	7,931,680	N/A						7,931,680
Certificates of deposit	299,318	N/A						299,318
Held by bond trustee:								
Money market funds	608,815	N/A		608,815				
Federal agency securities	7,201,060	N/A		7,201,060				
Total	\$ 23,913,138		\$ 1,840,286	\$ 13,435,720	\$ 406,134	\$ -	\$ 8,230,998	

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	\$ 3,038,881
FNMA	Federal agency securities	3,540,787
FHLB	Federal agency securities	3,710,256
FFCB	Federal agency securities	2,336,136

Investments in any one issuer that represent 5% or more of total investments (other than U.S. Treasury Securities, Mutual Funds, and external investment pools) by reporting unit (primary government, government activities, business-type activities, major funds, nonmajor funds in the aggregate, etc.) are as follows:

\$12,626,060 of cash and investments (including amounts held by bond trustees) reported in the Governmental Activities Statement of net assets are held in federal agency securities, \$3,038,881 (FHLMC), \$3,540,787 (FNMA), \$3,710,256 (FHLB), and \$2,336,136 (FFCB).

The Arcata Community Development Agency Capital Projects Fund (Major Fund) holds investments (including amounts held by bond trustees) in the amount of \$6,862,816 which are Federal Agency Securities. These securities are \$ 1,707,029 (FHLMC), \$1,997,279 (FNMA), \$2,163,693 (FHLB), and \$994,814 (FFCB).

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

G. Custodial Credit Risk

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

As of June 30, 2008, \$4,944,950 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts as required by the California Government Code. As of June 30, 2008, \$299,318 of the City investments was held by the same broker-dealer (counterparty) that was used to buy the investment (Certificate of Deposit).

Investment in State Investment Pool

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

NOTE 5 RECEIVABLES

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

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
Due from other governments	\$ 1,125,543	\$ -	\$ 1,125,543
Accounts	161,933		161,933
	<u>\$ 1,287,476</u>	<u>\$ -</u>	<u>\$ 1,287,476</u>
Business-type activities			
Due from other governments	\$ 148,729	\$ -	\$ 148,729
Accounts	800,882		800,882
	<u>\$ 949,611</u>	<u>\$ -</u>	<u>\$ 949,611</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 RECEIVABLES (CONTINUED)

Notes Receivable

The following schedule summarizes notes receivable as of June 30, 2008:

General fund notes receivable	\$ 391,182
CDBG Housing Revolving Loan fund notes receivable	1,875,055
Housing Revolving Loan fund notes receivable	4,185,414
Community Development Agency Capital Projects fund notes receivable	24,500
Basic Business Revolving Loan fund notes receivable	31,887
Community Development Agency Housing Set Aside fund notes receivable	<u>492,772</u>
Total notes receivable, Governmental funds	<u><u>\$ 7,000,810</u></u>

These notes represent amounts loaned to individuals and businesses to assist in the elimination of blight and/or assist in purchasing or rehabilitation of residences or businesses.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash.

The composition of interfund balances as of June 30, 2008 is as follows:

A. Due to/ from other fund

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Major Fund:	
General	\$ 6,198	General	\$ 391,182
CDBG Housing Revolving Loan	13,674		
Housing Revolving Loan	75,297	Nonmajor Funds:	
		POST	6,198
Nonmajor Fund:		STIP	18,688
Gas Tax 2107 and 2107.5	18,688	Block Grant	13,674
		HOME Grant	75,297
Major Enterprise Fund:			
Water	<u>391,182</u>		
	<u><u>\$ 505,039</u></u>		<u><u>\$ 505,039</u></u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Interfund transfers

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 203,450
Community Development Agency Capital Projects	198,500	
Community Development Agency Debt Service		650,000
Nonmajor Governmental Funds:		
Forest Management		21,025
Gas Tax 2106		61,868
Gas Tax 2107 and 2107.5	513,610	4,000
Traffic Safety	64,775	
STIP	4,830	
Industrial Park		17,500
Parkland In Lieu		13,796
Gas Tax 2105		78,093
Proposition 172		75,000
ISTEA		80,000
FEMA/OES		2,842
Janes Creek Meadows		18,500
Windsong		17,000
Community Development Agency Administration	445,500	
City Capital Projects		20,000
Major Enterprise Funds:		
Water		31,050
Wastewater		58,950
Transit		35,000
Solid Waste		25,000
Stormwater	185,859	
	<hr/> <u>\$ 1,413,074</u>	<hr/> <u>\$ 1,413,074</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 CAPITAL ASSETS

A. Governmental Activities

Governmental capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,653,709	\$ -	\$ -	\$ 8,653,709
Total capital assets, not being depreciated	<u>8,653,709</u>			<u>8,653,709</u>
Capital assets, being depreciated:				
Buildings and structures	9,752,787			9,752,787
Furniture and equipment	3,005,191	24,581		3,029,772
Improvements	5,548,250	81,491		5,629,741
Infrastructure	<u>40,654,137</u>	<u>1,093,882</u>		<u>41,748,019</u>
Total capital assets, being depreciated	<u>58,960,365</u>	<u>1,199,954</u>		<u>60,160,319</u>
Less accumulated depreciation for:				
Buildings and structures	(4,389,828)	(253,941)		(4,643,769)
Furniture and equipment	(2,725,658)	(69,199)		(2,794,857)
Improvements	(1,921,378)	(195,446)		(2,116,824)
Infrastructure	<u>(29,835,626)</u>	<u>(1,068,981)</u>		<u>(30,904,607)</u>
Total accumulated depreciation	<u>(38,872,490)</u>	<u>(1,587,567)</u>		<u>(40,460,057)</u>
Total capital assets, being depreciated, net	<u>20,087,875</u>	<u>(387,613)</u>		<u>19,700,262</u>
Governmental activities capital assets, net	<u>\$ 28,741,584</u>	<u>\$ (387,613)</u>	<u>\$ -</u>	<u>\$ 28,353,971</u>

Internal Service Fund (Allocated to Governmental Activities – not included above)

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Capital Assets, being depreciated:				
Buildings and structures	\$ 41,198	\$ -	\$ -	\$ 41,198
Furniture and equipment	362,732	153,878		516,610
Improvements	12,799			12,799
Vehicles	<u>2,880,009</u>	<u>331,502</u>	<u>(97,790)</u>	<u>3,113,721</u>
Total capital assets, being depreciated	<u>3,296,738</u>	<u>485,380</u>	<u>(97,790)</u>	<u>3,684,328</u>
Less accumulated depreciation for:				
Buildings and structures	(40,017)	(254)		(40,271)
Furniture and equipment	(239,394)	(32,695)		(272,089)
Improvements	(9,821)	(208)		(10,029)
Vehicles	<u>(2,429,038)</u>	<u>(139,118)</u>	<u>97,790</u>	<u>(2,470,366)</u>
Total accumulated depreciation	<u>(2,718,270)</u>	<u>(172,275)</u>	<u>97,790</u>	<u>(2,792,755)</u>
Total capital assets, being depreciated, net	<u>\$ 578,468</u>	<u>\$ 313,105</u>	<u>\$ -</u>	<u>\$ 891,573</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 CAPITAL ASSETS (CONTINUED)

A. Governmental Activities(Continued)

Total Governmental Activities

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,653,709	\$ -	\$ -	\$ 8,653,709
Total capital assets, not being depreciated	<u>8,653,709</u>			<u>8,653,709</u>
Capital assets, being depreciated:				
Buildings and structures	9,793,985			9,793,985
Furniture and equipment	3,367,923	178,459		3,546,382
Improvements	5,561,049	81,491		5,642,540
Infrastructure	40,654,137	1,093,882		41,748,019
Vehicles	<u>2,880,009</u>	<u>331,502</u>	<u>(97,790)</u>	<u>3,113,721</u>
Total capital assets, being depreciated	<u>62,257,103</u>	<u>1,685,334</u>	<u>(97,790)</u>	<u>63,844,647</u>
Less accumulated depreciation for:				
Buildings and structures	(4,429,845)	(254,195)		(4,684,040)
Furniture and equipment	(2,965,052)	(101,894)		(3,066,946)
Improvements	(1,931,199)	(195,654)		(2,126,853)
Infrastructure	(29,835,626)	(1,068,981)		(30,904,607)
Vehicles	<u>(2,429,038)</u>	<u>(139,118)</u>	<u>97,790</u>	<u>(2,470,366)</u>
Total accumulated depreciation	<u>(41,590,760)</u>	<u>(1,759,842)</u>	<u>97,790</u>	<u>(43,252,812)</u>
Total capital assets, being depreciated, net	<u>20,666,343</u>	<u>(74,508)</u>		<u>20,591,835</u>
Governmental activities capital assets, net	<u>\$ 29,320,052</u>	<u>\$ (74,508)</u>	<u>\$ -</u>	<u>\$ 29,245,544</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 4,180,303	\$ 660,697	\$ -	\$ 4,841,000
Total capital assets, not being depreciated	<u>4,180,303</u>	<u>660,697</u>		<u>4,841,000</u>
Capital assets, being depreciated:				
Buildings and structures	9,213,263			9,213,263
Furniture and equipment	2,691,645	14,500		2,706,145
Underground facilities	7,550,156	157,532		7,707,688
Improvements	3,911,635	48,638	(9,291)	3,950,982
Vehicles	1,219,265	39,567		1,258,832
Total capital assets, being depreciated	<u>24,585,964</u>	<u>260,237</u>	<u>(9,291)</u>	<u>24,836,910</u>
Less accumulated depreciation for:				
Buildings and structures	(4,529,009)	(212,545)		(4,741,554)
Furniture and equipment	(2,151,327)	(84,836)		(2,236,163)
Underground facilities	(2,992,754)	(162,453)		(3,155,207)
Improvements	(1,741,427)	(118,278)	9,291	(1,850,414)
Vehicles	(627,942)	(80,644)		(708,586)
Total accumulated depreciation	<u>(12,042,459)</u>	<u>(658,756)</u>	<u>9,291</u>	<u>(12,691,924)</u>
Total capital assets, being depreciated, net	<u>12,543,505</u>	<u>(398,519)</u>		<u>12,144,986</u>
Business-type activities capital assets, net	<u>\$ 16,723,808</u>	<u>\$ 262,178</u>	<u>\$ -</u>	<u>\$ 16,985,986</u>

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

Governmental activities			
General government	\$ 241,154		
Public safety	62,082		
Public works	1,232,910		
Community development	53,913		
Parks and recreation	<u>169,783</u>		
Total depreciation expense-governmental activities	<u>\$ 1,759,842</u>		
Business-type activities			
Water	\$ 155,482		
Wastewater	351,687		
Transit	118,317		
Solid Waste	10,411		
Stormwater	<u>22,859</u>		
Total depreciation expense-business-type activities	<u>\$ 658,756</u>		

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT

A. Governmental Activities

Tax Allocation Bonds – 1994 Series

The City's Financing Authority issued \$7,620,000 of Tax Allocation Revenue Bonds, 1994 Series A, for the purpose of assisting the City of Arcata's Community Development Agency in advance refunding and defeasing the Agency's 1988 Tax Allocation Bonds. The proceeds were loaned by the Authority pursuant to a loan agreement. The Authority's and Agency's interfund receivables and payables have been eliminated from the accompanying financial statements. The 1994 Tax Allocation Bonds bear interest at rates of from 5.0 to 6.0 percent per annum, payable each February and August 1 through 2023. The bonds are subject to optional early redemption on or after August 1, 2004, from any available funds with premium as specified in the bond documents. In fiscal year 2004, the City's Financing Authority issued its 2003 series tax allocation bonds, which defeased \$2,455,000 of the 1994 Tax Allocation Revenue Bonds.

The bonds are secured by a first pledge of, lien on, the Agency's Incremental Property Tax Revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements. The outstanding balance at June 30, 2008 was \$3,330,000. Future debt service requirements on the 1994 Series Tax Allocation Bonds are:

Fiscal Year	Principal	Interest	Total
2009	\$ 130,000	\$ 195,900	\$ 325,900
2010	135,000	187,950	322,950
2011	145,000	179,550	324,550
2012	155,000	170,550	325,550
2013	165,000	160,950	325,950
2014-2018	980,000	639,600	1,619,600
2019-2023	1,310,000	298,500	1,608,500
2024	310,000	9,300	319,300
Totals	\$ 3,330,000	\$ 1,842,300	\$ 5,172,300

Tax Allocation Bonds – 2003 Series

The City's Financing Authority issued \$9,865,000 of Tax Allocation Revenue Bonds, 2003 Series A, for the purpose of assisting the City of Arcata's Community Development Agency in advance refunding and defeasing \$2,455,000 of the Agency's 1994 Tax Allocation Bonds and for the purpose of obtaining additional funding for projects. The proceeds were loaned by the Authority to the Agency pursuant to a loan agreement. The Authority's and Agency's interfund receivables and payables have been eliminated from the accompanying financial statements.

The 2003 Tax Allocation Bonds bear interest at rates of from 2.0 to 5.125 percent per annum, payable each February and August 1 through 2034. The bonds are subject to optional early redemption on or after August 1, 2013, from any available funds with premium as specified in the bond documents. The bonds consisted of \$6,905,000 in term bonds and \$2,960,000 in serial bonds. The term bonds are subject to mandatory sinking fund early redemption starting in 2024.

The bonds are secured by a first pledge of, lien on, the Agency's Incremental Property Tax Revenues excluding amounts required to be set aside in the Agency's Low and Moderate Income Housing Fund and amounts payable under tax sharing agreements.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

Tax Allocation Bonds – 2003 Series (Continued)

The outstanding balance at June 30, 2008 was \$9,385,000.

Future debt service requirements on the 2003 Series Tax Allocation Bonds are:

Fiscal Year	Principal	Interest	Total
2009	\$ 115,000	\$ 449,437	\$ 564,437
2010	125,000	445,837	570,837
2011	125,000	442,087	567,087
2012	130,000	438,099	568,099
2013	130,000	433,711	563,711
2014-2018	735,000	2,087,315	2,822,315
2019-2023	910,000	1,909,926	2,819,926
2024-2028	2,575,000	1,526,081	4,101,081
2029-2033	3,685,000	709,525	4,394,525
2034	855,000	21,907	876,907
Totals	\$ 9,385,000	\$ 8,463,925	\$ 17,848,925

Energy Commission Loan

The California Energy Commission (the Commission) issued the total of \$ 82,064 of Energy Conservation Assistance loan to the City in the fiscal years 2003-04 through 2005-2006. The proceeds were loaned by the Commission pursuant to a loan agreement. The loan bears interest at a rate of 3.95% per annum, payable each June and December 22 through 2013. The outstanding balance at June 30, 2008 was \$63,339.

Future debt service requirements on the Energy Commission loan are:

Fiscal Year	Principal	Interest	Total
2009	\$ 10,527	\$ 2,399	\$ 12,926
2010	10,947	1,979	12,926
2011	11,383	1,543	12,926
2012	11,835	1,091	12,926
2013	12,310	617	12,927
2014	6,337	125	6,462
Totals	\$ 63,339	\$ 7,754	\$ 71,093

Capital Lease Obligations

During fiscal year 2008, the City entered into three lease purchase agreements. During fiscal year 2008, the City purchased vehicles in the amount of \$240,799 under these agreements. The lease obligations, proceeds, and the related assets were recorded in the internal service fund.

The principal balance of these capital leases as of June 30, 2008 was \$183,164. See *2008 Municipal Lease* for the other capital lease attributable to governmental activities.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

Future debt service requirements on the capital leases are:

Fiscal Year	Principal	Interest	Total
2009	\$ 47,611	\$ 10,024	\$ 57,635
2010	50,308	7,326	57,634
2011	26,974	4,475	31,449
2012	28,390	3,059	31,449
2013	<u>29,881</u>	1,569	31,450
Totals	<u><u>\$ 183,164</u></u>	<u><u>\$ 26,453</u></u>	<u><u>\$ 209,617</u></u>

B. Business-type Activities

Note Payable

The note payable is to Umpqua Bank with an original principal balance of \$249,500. The note bears interest at 4.70 percent and is payable in monthly installments of \$2,621 through November 10, 2009 with a final payment of \$134,591 due on December 10, 2009. The note is secured by a time deposit of the City for \$263,000 under an assignment agreement. The outstanding balance at June 30, 2008 was \$168,457. Future debt service on the note is:

Fiscal Year	Principal	Interest	Total
2009	\$ 24,045	\$ 7,405	\$ 31,450
2010	<u>144,412</u>	3,282	147,694
	<u><u>\$ 168,457</u></u>	<u><u>\$ 10,687</u></u>	<u><u>\$ 179,144</u></u>

Revenue Bonds

1997 Series – Wastewater

The City's Financing Authority authorized the issuance of \$2,840,000 in 1997 Revenue Bonds and issued the bonds to provide financing for wastewater system improvements. The City's Financing Authority sold the improvements to the City's wastewater fund pursuant to an installment agreement. The interfund payables and receivables between the City's Financing Authority and its wastewater enterprise have been eliminated from the accompanying financial statements.

The revenue bonds consist of serial and term bonds. The bonds bear interest at rates from 4.1 to 5.8 percent payable each December 1 and June 1. Bond principal matures each December 1 through 2022. The term bonds maturing December 2016 are subject to mandatory early redemption commencing December 1, 2013, and the term bonds maturing December 1, 2022 are also subject to mandatory early redemption commencing December 1, 2017. Bonds maturing on or after December 1, 2008 are subject to optional early redemption on or after December 1, 2008 with premium of 1 to 2 percent.

The City has pledged the net revenues of the wastewater system as security for repayment of the bonds, and, has agreed to make all necessary budgets and appropriations from the net revenues in order to make such payments.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT (Continued)

B. Business-type Activities (Continued)

These Revenue Bonds were refunded by the 2008 Municipal Loan, entered into on April 22, 2008.

2008 Municipal Loan

On April 22, 2008 the City entered into a loan agreement with Municipal Finance Corporation. The City and the Corporation have agreed to enter into a loan in the principal amount of \$2,055,000 for the purposes of refinancing the 1997 Revenue Bonds. The interest rate associated with the loan is 4.30%. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually beginning on December 1, 2008. The loan repayments end on December 1, 2022. The outstanding balance of the loan at June 30, 2008 was \$2,055,000.

The proceeds from the loan were used to pay off the 1997 Revenue Bonds. The City has a total overall savings on the refinancing of \$479,929 and a net present value savings (economic gain) of \$133,077. Annual debt service requirements for the 2008 Municipal Loan are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 129,000	\$ 85,592	\$ 214,592
2010	103,000	80,604	183,604
2011	107,000	76,089	183,089
2012	111,000	71,402	182,402
2013	119,000	66,457	185,457
2014-2018	664,000	250,389	914,389
2019-2023	<u>822,000</u>	<u>91,160</u>	<u>913,160</u>
	<u>\$ 2,055,000</u>	<u>\$ 721,693</u>	<u>\$ 2,776,693</u>

Certificates of Participation – Governmental and Business-type Activities

The City's Financing Authority issued \$2,825,000 in 1998 Refunding Certificates of Participation (City Hall and Water Improvements) to provide funds to refund the Authority's 1991 Certificates (which have been fully retired). The Certificates are secured by an amended lease agreement between the Financing Authority and the City. The interfund payables and receivables between the City of Arcata and the Arcata Joint Powers Financing Authority have been eliminated from the accompanying financial statements. The Certificates bear interest at rates from 4.15 percent to 5.3 percent, and are payable each July 1 and January 1. Principal payments are due each January 1 through 2021. The Certificates are repayable in part by the City (35%) and in part by the City's water enterprise (65%). The City has a covenant to include all payments under the agreements, applicable to the City portion, in each of its annual budgets to make the necessary appropriations for such payments. The water enterprise's portion is secured by a pledge and lien on the available net revenue of the water system and a pledge to set rates such that net revenues of the system at least equal the required payments.

These certificates of participation were refunded by the 2008 Municipal Lease, entered into on April 22, 2008.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT (Continued)

C. Business-type Activities (Continued)

2008 Municipal Lease

On April 22, 2008 the City entered into a lease agreement with Municipal Finance Corporation. The City and the Corporation have agreed to enter into a lease in the principal amount of \$1,894,000 for the purposes of refinancing the 1998 Refunding Certificates of Participation and to lease back the original leased property in the 1998 Refunding Certificates of Participation. The interest rate associated with the lease is 4.25%. Interest is payable semi-annually on July 1 and January 1. Principal is payable annually beginning on January 1, 2009. The lease payments end on January 1, 2021. The outstanding balance of the lease at June 30, 2008 was \$1,894,000.

The lease is repayable in part by the City (35%) and in part by the City's water enterprise (65%). The City has a covenant to include all payments under the agreements, applicable to the City portion, in each of its annual budgets to make the necessary appropriations for such payments.

The proceeds from the lease were used to pay off the 1998 Refunding Certificates of Participation. The City has a total overall savings on the refinancing of \$277,492 and a net present value savings (economic gain) of \$53,484. Annual debt service requirements are as follows:

Fiscal Year	Governmental Share		Water Enterprise Share	
	Principal	Interest	Principal	Interest
2009	\$ 47,250	\$ 19,487	\$ 87,750	\$ 36,189
2010	40,600	26,165	75,400	48,593
2011	42,000	24,440	78,000	45,388
2012	43,400	22,655	80,600	42,073
2013	46,550	20,810	86,450	38,648
2014-2018	259,000	73,111	481,000	135,777
2019-2021	184,100	15,872	341,900	29,476
Totals	\$ 662,900	\$ 202,540	\$ 1,231,100	\$ 376,144

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 LONG-TERM DEBT (CONTINUED)

C. Changes in long-term debt

Long-term liability activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008	Due Within One Year
Governmental activities					
Tax allocation bonds	\$ 12,950,000	\$ -	\$ (235,000)	\$ 12,715,000	\$ 245,000
Compensated absences	378,189	-	(17,299)	360,890	90,222
Certificates of participation	745,500	-	(745,500)	-	-
Energy commission loan	73,455	-	(10,116)	63,339	10,528
Leases payable	-	903,699	(57,635)	846,064	94,861
Bond premiums	167,358	-	(6,199)	161,159	6,199
Total governmental activities	<u>\$ 14,314,502</u>	<u>\$ 903,699</u>	<u>\$ (1,071,749)</u>	<u>\$ 14,146,452</u>	<u>\$ 446,810</u>
Business-type activities:					
Note payable	\$ 197,191	\$ -	\$ (28,734)	\$ 168,457	\$ 24,045
Compensated absences	107,961	18,581	-	126,542	31,635
Revenue bonds	2,240,000	-	(2,240,000)	-	-
Certificates of participation	1,384,500	-	(1,384,500)	-	-
Lease payable	-	1,231,100	-	1,231,100	87,750
Loan payable	-	2,055,000	-	2,055,000	129,000
Total business-type activities	<u>\$ 3,929,652</u>	<u>\$ 3,304,681</u>	<u>\$ (3,653,234)</u>	<u>\$ 3,581,099</u>	<u>\$ 272,430</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year end, \$11,848 of the internal service funds' compensated absences and \$183,164 of the internal service funds' lease payable are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

D. Compensated absences

Employees may accumulate vacation leave up to an amount equal to an employee's allowable vacation credits for two (2) years. Employees may accumulate an indefinite amount of sick leave. There shall be one-half (1/2) pay for all sick leave accumulated upon service retirement and disability retirement. There shall be one-half (1/2) pay for up to nine hundred sixty (960) hours accumulated sick leave when a public safety employee resigns after fifteen or more years of service under favorable circumstances and not as a result of adverse action. Vacation leave vests as it is accrued and unused vacation leave is payable upon retirement or termination. Compensation hours (executive leave) accrue for management and mid-management at 9 and 6 days per year, respectively. Compensation hours also accrue for police, fire, and other specified employees in lieu of cash payments for overtime. A liability has been created to account for the accrued vacation and compensation leave in the government-wide and proprietary fund financial statements. The City has, in the past, liquidated compensated leave from the general fund and all the proprietary funds. Vested vacation pay is expensed as earned in the proprietary fund types.

E. Defeased Debt

As of June 30, 2008, all prior debt defeased has been paid in full, there are no outstanding debt balances.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 RISK MANAGEMENT

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

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

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

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Arcata self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$9,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation – Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Arcata is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

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

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2008:

Total assets	\$ 18,401,188
Total liabilities	<u>(14,007,048)</u>
Members' equity	<u>\$ 4,394,140</u>
Total revenues	\$ 8,363,776
Total expenses	<u>(8,294,848)</u>
Operating income (loss)	<u>\$ 68,928</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and allocations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Public Employees' Retirement System

Plan description

The City of Arcata contributes to the California Public Employees' Retirement System (PERS), an agent, multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The California Public Employees' Retirement System issues a separate financial report which can be obtained by writing to PERS, Executive Office, 400 P Street, Sacramento, CA 95814.

Funding policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 14.771% for non-safety employees and 28.252% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual pension cost

For fiscal years 2006, 2007, and 2008, the City's annual pension costs of \$774,058, \$929,850, and \$1,017,586, respectively, were equal to the City's required and actual contributions.

The City's retirement plans for non-safety and safety employees are part of the CalPERS risk pools for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's retirement plans is no longer available nor disclosed.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Post-Employment Benefits Other Than Pensions

Plan Description

The City provides certain health insurance benefits to retired employees in accordance with memorandums of understanding with each employee group as follows:

For employees who retire from the City of Arcata after at least ten (10) years of service with the City and who continue health insurance through a City-sponsored health insurance plan, the City will contribute two percent (2%) of the health insurance premium for each year of service, as an employee with the City, rounded to the nearest whole year. For employees with at least twenty (20) years of service for the City who qualify for this benefit, the rate of the City's contribution will be three percent (3%) of the health insurance premium. Such contributions will not continue past Medicare eligibility.

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2007-08, the City contributed \$112,616, which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 13 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 237,714
Annual OPEB cost (expense)	237,714
Contributions made	(112,616)
Increase in net OPEB obligation	125,098
Net OPEB obligation - beginning of fiscal year	125,098
Net OPEB obligation - end of fiscal year	\$ 125,098

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2006	\$ -	0%	\$ -
6/30/2007	-	0%	-
6/30/2008	112,616	47%	125,098

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Post-Employment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

As of February 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,293,829, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,293,829. The covered payroll (annual payroll of active employees covered by the plan) was \$2,797,466, and the ratio of the UAAL to the covered payroll was 82 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 3 percent, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at February 1, 2008 was thirty years.

NOTE 12 NET ASSETS AND FUND BALANCES

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

A. Net Assets

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

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

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12 NET ASSETS AND FUND BALANCES

A. Net Assets (Continued)

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

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

The government-wide statement of net assets reports \$15,879,555 of restricted net assets, of which \$1,601,942 is restricted by enabling legislation.

B. Fund Balances

Fund Balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments:				
Utility users	\$ 715,000	\$ 790,000	\$ 769,886	\$ (20,114)
Property	675,000	675,000	692,339	17,339
Sales	2,050,000	2,125,000	2,164,008	39,008
Transient occupancy	850,000	865,000	891,224	26,224
Franchise tax	275,000	275,000	264,713	(10,287)
Business license	120,000	120,000	125,454	5,454
Other	45,150	45,150	31,674	(13,476)
Licenses and permits	227,000	227,000	240,893	13,893
Intergovernmental	1,720,871	1,700,284	1,441,300	(258,984)
Charges for services	673,539	636,055	446,518	(189,537)
Fines, forfeitures, and penalties	242,000	257,000	254,225	(2,775)
Use of money and property	200,000	259,000	352,022	93,022
Miscellaneous	117,200	131,510	105,657	(25,853)
Total Revenues	7,910,760	8,105,999	7,779,913	(326,086)
Expenditures:				
Current:				
General government:				
City council	135,399	130,749	111,236	19,513
City manager	122,151	121,446	118,950	2,496
City clerk	76,949	78,249	78,391	(142)
Finance	247,643	285,243	242,473	42,770
City attorney	128,000	92,840	84,654	8,186
Personnel	115,531	113,846	95,111	18,735
General insurance	56,899	56,899	20,888	36,011
Total general government	882,572	879,272	751,703	127,569
Public safety:				
Police services	3,836,750	3,799,893	3,650,096	149,797
Parking control	200,037	191,537	171,869	19,668
Animal control	46,640	43,695	37,216	6,479
Total public safety	4,083,427	4,035,125	3,859,181	175,944

(Continued)

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2008
(Continued)

	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget -
			Positive (Negative)
Expenditures:			
Current:			
Community development:			
Planning services	\$ 692,499	\$ 661,549	\$ 232,621
Communications	58,402	58,402	12,784
Geographic information system	32,602	35,602	1,960
Building	303,921	303,921	3,826
Total community development	<u>1,087,424</u>	<u>1,059,474</u>	<u>251,191</u>
Public works:			
Engineering	220,058	295,690	84,128
Corporation yard	(148)	(148)	511
Government buildings	333,658	330,767	(59,002)
Total public works	<u>553,568</u>	<u>626,309</u>	<u>25,637</u>
Parks and recreation:			
Library	6,200	6,200	(1,004)
Recreation	546,775	546,775	41,808
Parks	648,202	646,219	3,110
Total parks and recreation	<u>1,201,177</u>	<u>1,199,194</u>	<u>43,914</u>
Debt Service:			
Principal	48,616	48,616	
Interest	41,997	41,997	(29,720)
Total debt service	<u>90,613</u>	<u>90,613</u>	<u>(29,720)</u>
Capital outlay			
Total Expenditures	<u>402,725</u>	<u>546,082</u>	<u>449,490</u>
Excess of Revenues Over (Under) Expenditures	<u>8,301,506</u>	<u>8,436,069</u>	<u>1,044,025</u>
Other Financing Sources (Uses):			
Transfers in	237,500	237,500	(237,500)
Transfers out	(379,088)	(379,088)	175,638
Proceeds from issuance of long-term debt		662,900	662,900
Payment to escrow agent		(707,000)	(707,000)
Total Other Financing Sources (Uses)	<u>(141,588)</u>	<u>(141,588)</u>	<u>(105,962)</u>
Net Change in Fund Balance	<u>(532,334)</u>	<u>(471,658)</u>	<u>140,319</u>
Fund Balance, beginning of fiscal year	<u>3,623,710</u>	<u>3,623,710</u>	<u>611,977</u>
Fund Balance, end of fiscal year	<u>\$ 3,091,376</u>	<u>\$ 3,152,052</u>	<u>\$ 3,764,029</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CDBG HOUSING REVOLVING LOAN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 179,863	\$ 149,863
Miscellaneous	100,000	100,000	256,250	156,250
Total Revenues	130,000	130,000	436,113	306,113
Expenditures:				
Current:				
Community development	257,000	257,000	487,149	(230,149)
Total Expenditures	257,000	257,000	487,149	(230,149)
Net Change in Fund Balance	(127,000)	(127,000)	(51,036)	75,964
Fund Balance, Beginning of Fiscal Year	310,997	310,997	310,997	
Fund Balance, End of Fiscal Year	\$ 183,997	\$ 183,997	\$ 259,961	\$ 75,964

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING REVOLVING LOAN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
Revenues:				<u>Positive (Negative)</u>
Use of money and property	\$ 25,000	\$ 55,000	\$ 220,028	\$ 165,028
Miscellaneous	<u>150,000</u>	<u>150,000</u>	<u>102,551</u>	<u>(47,449)</u>
Total Revenues	<u>175,000</u>	<u>205,000</u>	<u>322,579</u>	<u>117,579</u>
Expenditures:				
Current:				
Community development	<u>180,000</u>	<u>210,000</u>	<u>613,230</u>	<u>(403,230)</u>
Total Expenditures	<u>180,000</u>	<u>210,000</u>	<u>613,230</u>	<u>(403,230)</u>
Net Change in Fund Balance	<u>(5,000)</u>	<u>(5,000)</u>	<u>(290,651)</u>	<u>(285,651)</u>
Fund Balance, Beginning of Fiscal Year	<u>466,864</u>	<u>466,864</u>	<u>466,864</u>	
Fund Balance, End of Fiscal Year	<u>\$ 461,864</u>	<u>\$ 461,864</u>	<u>\$ 176,213</u>	<u>\$ (285,651)</u>

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OTHER SUPPLEMENTAL INFORMATION

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY CAPITAL PROJECTS FUND
For The Fiscal Year Ended June 30, 2008

	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget
			Positive (Negative)
Revenues:			
Use of money and property	\$ 180,000	\$ 250,000	\$ 451,616
Total Revenues	<u>180,000</u>	<u>250,000</u>	<u>451,616</u>
Expenditures:			
Current:			
Community development	2,468,750	2,478,750	244,293
Total Expenditures	<u>2,468,750</u>	<u>2,478,750</u>	<u>244,293</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,288,750)</u>	<u>(2,228,750)</u>	<u>207,323</u>
2,436,073			
Other Financing Sources (Uses):			
Transfers in		198,500	198,500
Transfers out	<u>(81,000)</u>	<u>(81,000)</u>	<u>81,000</u>
Total Other Financing Sources (Uses)	<u>(81,000)</u>	<u>(81,000)</u>	<u>198,500</u>
			279,500
Net Change in Fund Balance	(2,369,750)	(2,309,750)	405,823
Fund Balance, beginning of fiscal year	<u>8,866,189</u>	<u>8,866,189</u>	<u>8,866,189</u>
Fund Balance, end of fiscal year	<u>\$ 6,496,439</u>	<u>\$ 6,556,439</u>	<u>\$ 9,272,012</u>
			\$ 2,715,573

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
Property tax increment revenue	\$ 1,525,000	\$ 1,525,000	\$ 221,118
Use of money and property	35,000	35,000	56,556
Total Revenues	1,560,000	1,560,000	277,674
Expenditures:			
Debt Service:			
Principal retirement	635,000	635,000	235,000
Interest and fiscal charges	704,211	704,211	697,778
Total Expenditures	1,339,211	1,339,211	932,778
Excess of Revenues Over (Under) Expenditures	220,789	220,789	904,896
			684,107
Other Financing Sources (Uses):			
Transfers out	(450,000)	(450,000)	(650,000)
Total Other Financing Sources (Uses)	(450,000)	(450,000)	(650,000)
Net Change in Fund Balance	(229,211)	(229,211)	254,896
Fund Balance, Beginning of Fiscal Year	1,870,001	1,870,001	1,870,001
Fund Balance, End of Fiscal Year	\$ 1,640,790	\$ 1,640,790	\$ 2,124,897
			\$ 484,107

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Funds			
	Bicycle Registration	POST	Forest Management	Gas Tax 2106
Assets:				
Cash and investments	\$ 583	\$ -	\$ 56,485	\$ -
Receivables:				
Accounts				
Intergovernmental			1,165	27,080
Notes				
Interest				
Deposit				14,561
Due from other funds				
Inventory				
Advances to other funds				
 Total Assets	 \$ 583	 \$ 1,165	 \$ 71,046	 \$ 27,080
 Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 958	\$ -
Accrued liabilities				4,980
Due to other funds			6,198	
Deposits payable				
Deferred revenues				
 Total Liabilities	 6,198		 5,938	
 Fund Balances:				
Reserved:				
Reserved for encumbrances				1,680
Reserved for inventory				
Reserved for streets				27,080
Reserved for job credits				
Reserved for long-term receivables				
Unreserved:				
Designated for contingencies				293,440
Undesignated	583	(5,033)	(230,012)	
 Total Fund Balances	 583	 (5,033)	 65,108	 27,080
 Total Liabilities and Fund Balances	 \$ 583	 \$ 1,165	 \$ 71,046	 \$ 27,080

Special Revenue Funds

Gas Tax	Traffic Safety	STIP	HUD Block Grant	Industrial Park	PEG Access	Residential Construction
\$ 826,628	\$ 86,552	\$ -	\$ 602,382	\$ 4,514	\$ 76,549	
59,013	22,068		35,641			
18,688						
1,615	123,762					
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\$ 905,944	\$ 232,382	\$ -	\$ 35,641	\$ 602,382	\$ 4,514	\$ 76,549
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\$ 303,343	\$ 793	\$ 20,067	\$ -	\$ -	\$ -	\$ -
17,269	3,949					
		18,688	13,674			
6,300						
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326,912	4,742	38,755	13,674			
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239,894		110,911	5,779			
1,615	123,762					
			60,800			
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337,523	103,878	(149,666)	16,188	541,582	4,514	76,549
579,032	227,640	(38,755)	21,967	602,382	4,514	76,549
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\$ 905,944	\$ 232,382	\$ -	\$ 35,641	\$ 602,382	\$ 4,514	\$ 76,549

(Continued)

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

(Continued)

	Special Revenue Funds			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
Assets:				
Cash and investments	\$ 376,084	\$ 246,046	\$ -	\$ 66,686
Receivables:				
Accounts				
Intergovernmental			33,352	20,896
Notes				
Interest				
Deposit				
Due from other funds				
Inventory				
Advances to other funds				
 Total Assets	 \$ 376,084	 \$ 246,046	 \$ 33,352	 \$ 87,582
 Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 9,480	\$ -	\$ -	\$ -
Accrued liabilities				
Due to other funds				
Deposits payable				
Deferred revenues				
 Total Liabilities	 9,480			
 Fund Balances:				
Reserved:				
Reserved for encumbrances	1,220			
Reserved for inventory				
Reserved for streets			33,352	
Reserved for job credits				
Reserved for long-term receivables				
Unreserved:				
Designated for contingencies				
Undesignated	365,384	246,046		87,582
 Total Fund Balances	 366,604	 246,046	 33,352	 87,582
 Total Liabilities and Fund Balances	 \$ 376,084	 \$ 246,046	 \$ 33,352	 \$ 87,582

Special Revenue Funds

ISTEA	FEMA/ OES	COPS	Basic Business				PERS Phase In	Healthsport
			HOME Grants	Revolving Loan	Utility Users			
\$ 656,372	\$ 939,271	\$ 139,850	\$ -	\$ 477,001	\$ 221,271	\$ 180,232	\$ 72,294	
80,005			60,849		31,887			
						400,000		
<u>\$ 736,377</u>	<u>\$ 939,271</u>	<u>\$ 139,850</u>	<u>\$ 60,849</u>	<u>\$ 509,656</u>	<u>\$ 221,271</u>	<u>\$ 580,232</u>	<u>\$ 72,294</u>	
\$ -	\$ -	\$ -	\$ 3,034	\$ -	\$ -	\$ -	\$ -	
			75,297					
				31,887				
			78,331	31,887				
					26,365			
<u>736,377</u>	<u>939,271</u>	<u>139,850</u>	<u>(43,847)</u>	<u>477,769</u>	<u>221,271</u>	<u>580,232</u>	<u>72,294</u>	
<u>736,377</u>	<u>939,271</u>	<u>139,850</u>	<u>(17,482)</u>	<u>477,769</u>	<u>221,271</u>	<u>580,232</u>	<u>72,294</u>	
<u>\$ 736,377</u>	<u>\$ 939,271</u>	<u>\$ 139,850</u>	<u>\$ 60,849</u>	<u>\$ 509,656</u>	<u>\$ 221,271</u>	<u>\$ 580,232</u>	<u>\$ 72,294</u>	

(Continued)

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

(Continued)

	Special Revenue Funds		
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
Assets:			
Cash and investments	\$ 13,344	\$ 14,833	\$ 9,660
Receivables:			
Accounts			
Intergovernmental			59
Notes			
Interest			
Deposit			
Due from other funds			
Inventory			
Advances to other funds			
Total Assets	\$ 13,344	\$ 14,833	\$ 9,719
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 61	\$ -	\$ -
Accrued liabilities			
Due to other funds			
Deposits payable			
Deferred revenues			
Total Liabilities	61		
Fund Balances:			
Reserved:			
Reserved for encumbrances			1,300
Reserved for inventory			
Reserved for streets			
Reserved for job credits			
Reserved for long-term receivables			
Unreserved:			
Designated for contingencies			
Undesignated	13,283	14,833	8,419
Total Fund Balances	13,283	14,833	9,719
Total Liabilities and Fund Balances	\$ 13,344	\$ 14,833	\$ 9,719

Special Revenue Funds				Capital Projects		Total	
Windsong	Community Development Administration	Community Development Housing Set Aside		City Capital Projects		Nonmajor Governmental Funds	
\$ 23,742	\$ 64,464	\$ 2,024,121		\$ 310,789		\$ 7,489,753	
178		3,210				768	
		492,772				343,516	
		14,396				524,659	
						14,396	
						14,561	
						18,688	
						125,377	
						400,000	
<u>\$ 23,920</u>	<u>\$ 64,464</u>	<u>\$ 2,534,499</u>		<u>\$ 310,789</u>		<u>\$ 8,931,718</u>	
\$ 700	\$ 1,498	\$ 2,093		\$ -		\$ 342,027	
	9,211					35,409	
		800				113,857	
		385,100				7,100	
<u>700</u>	<u>10,709</u>	<u>387,993</u>				<u>416,987</u>	
						915,380	
		2,038,834				2,425,983	
						125,377	
						60,432	
						60,800	
		107,672				107,672	
						293,440	
<u>23,220</u>	<u>53,755</u>			<u>310,789</u>		<u>4,942,634</u>	
<u>23,220</u>	<u>53,755</u>	<u>2,146,506</u>		<u>310,789</u>		<u>8,016,338</u>	
<u>\$ 23,920</u>	<u>\$ 64,464</u>	<u>\$ 2,534,499</u>		<u>\$ 310,789</u>		<u>\$ 8,931,718</u>	

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			
	Bicycle Registration	POST	Forest Management	Gas Tax 2106
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	256			
Intergovernmental			5,500	81,726
Use of money and property	21	186	7,033	
Fines and forfeitures				
Reimbursements		2,904		
Miscellaneous			255,982	
 Total Revenues	 277	 3,090	 268,515	 81,726
Expenditures:				
Current:				
General government				
Public safety		17,357		
Community development				
Parks and recreation			241,241	
Public works				
Capital outlay		6,276		
 Total Expenditures		 17,357	 247,517	
 Excess of Revenues Over (Under) Expenditures	 277	 (14,267)	 20,998	 81,726
Other Financing Sources (Uses):				
Transfers in				
Transfers out			(21,025)	(61,868)
 Total Other Financing Sources (Uses)			 (21,025)	 (61,868)
 Net Change in Fund Balances	 277	 (14,267)	 (27)	 19,858
 Fund Balances, Beginning of Fiscal Year	 306	 9,234	 65,135	 7,222
 Fund Balances (Deficit), End of Fiscal Year	 \$ 583	 \$ (5,033)	 \$ 65,108	 \$ 27,080

Special Revenue Funds

Gas Tax 2107 and 2107.5	Traffic Safety	STIP	HUD Block Grant	Industrial Park	PEG Access	Residential Construction
\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 34,659
702,962		400,819	328,534			
24,677	1,422			26,411	199	2,447
	116,565					
<u>10,274</u>	<u>19,219</u>			<u>25,841</u>	<u>60</u>	
<u>737,913</u>	<u>137,206</u>	<u>400,819</u>	<u>328,534</u>	<u>52,252</u>	<u>259</u>	<u>37,106</u>
138,886						
			293,711		567	
514,533		94,536				
<u>733,488</u>		<u>352,570</u>		<u>4,033</u>		
<u>1,248,021</u>	<u>138,886</u>	<u>447,106</u>	<u>293,711</u>	<u>4,600</u>		
<u>(510,108)</u>	<u>(1,680)</u>	<u>(46,287)</u>	<u>34,823</u>	<u>47,652</u>	<u>259</u>	<u>37,106</u>
513,610	64,775	4,830				
(4,000)				(17,500)		
<u>509,610</u>	<u>64,775</u>	<u>4,830</u>		<u>(17,500)</u>		
(498)	63,095	(41,457)	34,823	30,152	259	37,106
<u>579,530</u>	<u>164,545</u>	<u>2,702</u>	<u>(12,856)</u>	<u>572,230</u>	<u>4,255</u>	<u>39,443</u>
<u>\$ 579,032</u>	<u>\$ 227,640</u>	<u>\$ (38,755)</u>	<u>\$ 21,967</u>	<u>\$ 602,382</u>	<u>\$ 4,514</u>	<u>\$ 76,549</u>

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008
(continued)

	<u>Special Revenue Funds</u>			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 87,183
Licenses and permits	74,197			
Intergovernmental			102,268	
Use of money and property	16,303	11,551		2,162
Fines and forfeitures				
Reimbursements				
Miscellaneous				
 Total Revenues	 90,500	 11,551	 102,268	 89,345
Expenditures:				
Current:				
General government				
Public safety				
Community development				
Parks and recreation				
Public works				
Capital outlay	9,480			
 Total Expenditures	 9,480			
 Excess of Revenues Over (Under) Expenditures	 81,020	 11,551	 102,268	 89,345
Other Financing Sources (Uses):				
Transfers in				
Transfers out		(13,796)	(78,093)	(75,000)
 Total Other Financing Sources (Uses)	 (13,796)	 (78,093)	 (75,000)	
 Net Change in Fund Balances	 81,020	 (2,245)	 24,175	 14,345
 Fund Balances, Beginning of Fiscal Year	 285,584	 248,291	 9,177	 73,237
 Fund Balances (Deficit), End of Fiscal Year	 \$ 366,604	 \$ 246,046	 \$ 33,352	 \$ 87,582

Special Revenue Funds

FEMA/ ISTEA		COPS		HOME Grants	Revolving Loan	Utility Users	PERS Phase In	Healthsport	
\$	-	\$	-	\$	-	\$	-	\$	-
164,237	369,072	100,009	1,496,382						
29,318	30,706	5,406	7,290	22,617	9,883	43,508	3,229		
				1,716					
193,555	399,778	105,415	1,503,672	24,333	9,883	43,508	3,229		
59,948									
				1,526,706	1,060				
2,440									
2,440		59,948	1,526,706	1,060					
191,115	399,778	45,467	(23,034)	23,273	9,883	43,508	3,229		
(80,000)	(2,842)								
(80,000)	(2,842)								
111,115	396,936	45,467	(23,034)	23,273	9,883	43,508	3,229		
625,262	542,335	94,383	5,552	454,496	211,388	536,724	69,065		
\$ 736,377	\$ 939,271	\$ 139,850	\$ (17,482)	\$ 477,769	\$ 221,271	\$ 580,232	\$ 72,294		

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008
(continued)

	Special Revenue Funds		
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
Revenues:			
Taxes and assessments	\$ -	\$ -	\$ 18,503
Licenses and permits			
Intergovernmental			
Use of money and property	758	663	332
Fines and forfeitures			
Reimbursements			
Miscellaneous			
 Total Revenues	 758	 663	 18,835
Expenditures:			
Current:			
General government			
Public safety			
Community development			
Parks and recreation			
Public works			
Capital outlay	4,215		
 Total Expenditures	 4,215		
 Excess of Revenues Over (Under) Expenditures	 (3,457)	 663	 18,835
Other Financing Sources (Uses):			
Transfers in			
Transfers out			(18,500)
 Total Other Financing Sources (Uses)			 (18,500)
 Net Change in Fund Balances	 (3,457)	 663	 335
 Fund Balances, Beginning of Fiscal Year	 16,740	 14,170	 9,384
 Fund Balances (Deficit), End of Fiscal Year	 \$ 13,283	 \$ 14,833	 \$ 9,719

Windsong	Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
	Community Development Administration	Community Development	Housing Set Aside	City Capital Projects		
\$ 14,871	\$ -	\$ 436,529	\$ -	\$ 591,745		74,453
1,029	2,235	94,536	10,436	354,358		116,565
		183,272	127,545	2,904		623,909
<u>15,900</u>	<u>2,235</u>	<u>714,337</u>	<u>137,981</u>			<u>5,515,443</u>
	308,204	10,222		318,426		216,191
700	78,845	365,422		2,266,311		241,941
				611,509		1,110,062
<u>700</u>	<u>387,049</u>	<u>375,644</u>		<u>4,764,440</u>		
<u>15,200</u>	<u>(384,814)</u>	<u>338,693</u>	<u>137,981</u>			<u>751,003</u>
(17,000)	445,500			1,028,715		(409,624)
(17,000)	445,500			(20,000)		619,091
(1,800)	60,686	338,693	117,981	1,370,094		
25,020	(6,931)	1,807,813	192,808	6,646,244		
<u>\$ 23,220</u>	<u>\$ 53,755</u>	<u>\$ 2,146,506</u>	<u>\$ 310,789</u>	<u>\$ 8,016,338</u>		

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BICYCLE REGISTRATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Licenses and permits	\$ 200	\$ 256	\$ 56
Use of money and property	75	21	(54)
Miscellaneous	100		(100)
 Total Revenues	 375	 277	 (98)
 Net Change in Fund Balance	 375	 277	 (98)
 Fund Balance, Beginning of Fiscal Year	 306	 306	
 Fund Balance, End of Fiscal Year	 \$ 681	 \$ 583	 \$ (98)

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POST SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ 186	\$ (314)
Reimbursements	<u>27,500</u>	<u>2,904</u>	<u>(24,596)</u>
Total Revenues	<u>28,000</u>	<u>3,090</u>	<u>(24,910)</u>
Expenditures:			
Current:			
Public safety	<u>28,000</u>	<u>17,357</u>	<u>10,643</u>
Total Expenditures	<u>28,000</u>	<u>17,357</u>	<u>10,643</u>
Net Change in Fund Balance		(14,267)	(14,267)
Fund Balance, Beginning of Fiscal Year	<u>9,234</u>	<u>9,234</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ 9,234</u>	<u>\$ (5,033)</u>	<u>\$ (14,267)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOREST MANAGEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 11,000	\$ 5,500	\$ (5,500)
Use of money and property	1,000	7,033	6,033
Miscellaneous	<u>695,516</u>	<u>255,982</u>	<u>(439,534)</u>
Total Revenues	<u>707,516</u>	<u>268,515</u>	<u>(439,001)</u>
Expenditures:			
Current:			
Parks and recreation	253,328	241,241	12,087
Capital outlay	<u>511,016</u>	<u>6,276</u>	<u>504,740</u>
Total Expenditures	<u>764,344</u>	<u>247,517</u>	<u>516,827</u>
Excess of Revenues Over (Under) Expenditures	<u>(56,828)</u>	<u>20,998</u>	<u>77,826</u>
Other Financing Sources (Uses):			
Transfers out	(25,000)	(21,025)	3,975
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(21,025)</u>	<u>3,975</u>
Net Change in Fund Balance	<u>(81,828)</u>	<u>(27)</u>	<u>81,801</u>
Fund Balance, Beginning of Fiscal Year	<u>65,135</u>	<u>65,135</u>	
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (16,693)</u>	<u>\$ 65,108</u>	<u>\$ 81,801</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX 2106 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 87,500	\$ 81,726	\$ (5,774)
Total Revenues	<u>87,500</u>	<u>81,726</u>	<u>(5,774)</u>
Other Financing Sources (Uses):			
Transfers out	(87,500)	(61,868)	25,632
Total Other Financing Sources (Uses)	<u>(87,500)</u>	<u>(61,868)</u>	<u>25,632</u>
Net Change in Fund Balance		19,858	19,858
Fund Balance, Beginning of Fiscal Year	<u>7,222</u>	<u>7,222</u>	
Fund Balance, End of Fiscal Year	<u>\$ 7,222</u>	<u>\$ 27,080</u>	<u>\$ 19,858</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX 2107 AND 2107.5 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 800,000	\$ 702,962	\$ (97,038)
Use of money and property	3,000	24,677	21,677
Reimbursements	60,238		(60,238)
Miscellaneous	2,500	10,274	7,774
Total Revenues	865,738	737,913	(127,825)
Expenditures:			
Current:			
Public works	593,979	514,533	79,446
Capital outlay	1,076,443	733,488	342,955
Total Expenditures	1,670,422	1,248,021	422,401
Excess of Revenues Over (Under) Expenditures	(804,684)	(510,108)	294,576
Other Financing Sources (Uses):			
Transfers in	542,979	513,610	(29,369)
Transfers out	(4,000)	(4,000)	
Total Other Financing Sources (Uses)	538,979	509,610	(29,369)
Net Change in Fund Balance	(265,705)	(498)	265,207
Fund Balance, Beginning of Fiscal Year	579,530	579,530	
Fund Balance, End of Fiscal Year	\$ 313,825	\$ 579,032	\$ 265,207

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ 1,422	\$ 922
Fines and forfeitures	80,000	116,565	36,565
Miscellaneous	<hr/>	<hr/>	<hr/>
Total Revenues	<hr/>	<hr/>	<hr/>
	80,500	137,206	56,706
Expenditures:			
Current:			
Public safety	<hr/>	<hr/>	<hr/>
Total Expenditures	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>
	(64,775)	(1,680)	63,095
Other Financing Sources (Uses):			
Transfers in	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance		63,095	63,095
Fund Balance, Beginning of Fiscal Year	<hr/>	<hr/>	<hr/>
Fund Balance, End of Fiscal Year	<hr/>	<hr/>	<hr/>
	\$ 164,545	\$ 227,640	\$ 63,095

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STIP SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 301,000</u>	<u>\$ 400,819</u>	<u>\$ 99,819</u>
Total Revenues	<u>301,000</u>	<u>400,819</u>	<u>99,819</u>
Expenditures:			
Current:			
Public works	185,000	94,536	90,464
Capital outlay	<u>637,616</u>	<u>352,570</u>	<u>285,046</u>
Total Expenditures	<u>822,616</u>	<u>447,106</u>	<u>375,510</u>
Excess of Revenues Over (Under) Expenditures	<u>(521,616)</u>	<u>(46,287)</u>	<u>475,329</u>
Other Financing Sources (Uses):			
Transfers in	<u>(46,000)</u>	<u>4,830</u>	<u>50,830</u>
Total Other Financing Sources (Uses)	<u>(46,000)</u>	<u>4,830</u>	<u>50,830</u>
Net Change in Fund Balance	<u>(567,616)</u>	<u>(41,457)</u>	<u>526,159</u>
Fund Balance, Beginning of Fiscal Year	<u>2,702</u>	<u>2,702</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (564,914)</u>	<u>\$ (38,755)</u>	<u>\$ 526,159</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HUD BLOCK GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 570,000	\$ 328,534	\$ (241,466)
Total Revenues	<u>570,000</u>	<u>328,534</u>	<u>(241,466)</u>
Expenditures:			
Current:			
Community development	570,000	293,711	276,289
Total Expenditures	<u>570,000</u>	<u>293,711</u>	<u>276,289</u>
Net Change in Fund Balance		34,823	34,823
Fund Balance, Beginning of Fiscal Year	<u>(12,856)</u>	<u>(12,856)</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (12,856)</u>	<u>\$ 21,967</u>	<u>\$ 34,823</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INDUSTRIAL PARK SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 10,000	\$ 26,411	\$ 16,411
Miscellaneous	<u>73,000</u>	<u>25,841</u>	<u>(47,159)</u>
Total Revenues	<u>83,000</u>	<u>52,252</u>	<u>(30,748)</u>
Expenditures:			
Current:			
Community development	105,000	567	104,433
Capital outlay	<u>22,000</u>	<u>4,033</u>	<u>17,967</u>
Total Expenditures	<u>127,000</u>	<u>4,600</u>	<u>122,400</u>
Excess of Revenues Over (Under) Expenditures	<u>(44,000)</u>	<u>47,652</u>	<u>91,652</u>
Other Financing Sources (Uses):			
Transfers out	<u>(32,500)</u>	<u>(17,500)</u>	<u>15,000</u>
Total Other Financing Sources (Uses)	<u>(32,500)</u>	<u>(17,500)</u>	<u>15,000</u>
Net Change in Fund Balance	<u>(76,500)</u>	<u>30,152</u>	<u>106,652</u>
Fund Balance, Beginning of Fiscal Year	<u>572,230</u>	<u>572,230</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 495,730</u>	<u>\$ 602,382</u>	<u>\$ 106,652</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG ACCESS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 199	\$ 199
Miscellaneous	<hr/>	<hr/> 60	<hr/> 60
Total Revenues	<hr/>	<hr/> 259	<hr/> 259
Net Change in Fund Balance		259	259
Fund Balance, Beginning of Fiscal Year	<hr/> 4,255	<hr/> 4,255	<hr/>
Fund Balance, End of Fiscal Year	<hr/> \$ 4,255	<hr/> \$ 4,514	<hr/> \$ 259

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RESIDENTIAL CONSTRUCTION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 20,000	\$ 34,659	\$ 14,659
Use of money and property	<u>1,000</u>	<u>2,447</u>	<u>1,447</u>
Total Revenues	<u>21,000</u>	<u>37,106</u>	<u>16,106</u>
Net Change in Fund Balance	21,000	37,106	16,106
Fund Balance, Beginning of Fiscal Year	<u>39,443</u>	<u>39,443</u>	<u>0</u>
Fund Balance, End of Fiscal Year	<u>\$ 60,443</u>	<u>\$ 76,549</u>	<u>\$ 16,106</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARKLAND IN LIEU SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Licenses and permits	\$ 25,000	\$ 74,197	\$ 49,197
Use of money and property	1,000	16,303	15,303
Total Revenues	26,000	90,500	64,500
Expenditures:			
Capital outlay	10,700	9,480	1,220
Total Expenditures	10,700	9,480	1,220
Excess of Revenues Over (Under) Expenditures	15,300	81,020	65,720
Other Financing Sources (Uses):			
Transfers out	(100,000)		100,000
Total Other Financing Sources (Uses)	(100,000)		100,000
Net Change in Fund Balance	(84,700)	81,020	165,720
Fund Balance, Beginning of Fiscal Year	285,584	285,584	
Fund Balance, End of Fiscal Year	\$ 200,884	\$ 366,604	\$ 165,720

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARKING IN LIEU SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 5,000	\$ 11,551	\$ 6,551
Total Revenues	<u>5,000</u>	<u>11,551</u>	<u>6,551</u>
Other Financing Sources (Uses):			
Transfers out		(13,796)	(13,796)
Total Other Financing Sources (Uses)		<u>(13,796)</u>	<u>(13,796)</u>
Net Change in Fund Balance	5,000	(2,245)	(7,245)
Fund Balance, Beginning of Fiscal Year	<u>248,291</u>	<u>248,291</u>	
Fund Balance, End of Fiscal Year	<u>\$ 253,291</u>	<u>\$ 246,046</u>	<u>\$ (7,245)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX 2105 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 107,000	\$ 102,268	\$ (4,732)
Total Revenues	<u>107,000</u>	<u>102,268</u>	<u>(4,732)</u>
Other Financing Sources (Uses):			
Transfers out	(107,000)	(78,093)	28,907
Total Other Financing Sources (Uses)	<u>(107,000)</u>	<u>(78,093)</u>	<u>28,907</u>
Net Change in Fund Balance		24,175	24,175
Fund Balance, Beginning of Fiscal Year	<u>9,177</u>	<u>9,177</u>	
Fund Balance, End of Fiscal Year	<u>\$ 9,177</u>	<u>\$ 33,352</u>	<u>\$ 24,175</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PROPOSITION 172: SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 80,000	\$ 87,183	\$ 7,183
Use of money and property	500	2,162	1,662
 Total Revenues	 80,500	 89,345	 8,845
 Other Financing Sources (Uses):			
Transfers out	(75,000)	(75,000)	(75,000)
 Total Other Financing Sources (Uses)	 (75,000)	 (75,000)	 (75,000)
 Net Change in Fund Balance	 5,500	 14,345	 8,845
 Fund Balance, Beginning of Fiscal Year	 73,237	 73,237	 73,237
 Fund Balance, End of Fiscal Year	 \$ 78,737	 \$ 87,582	 \$ 8,845

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ISTEA SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 472,600	\$ 164,237	\$ (308,363)
Use of money and property	<u>2,500</u>	<u>29,318</u>	<u>26,818</u>
Total Revenues	475,100	193,555	(281,545)
Expenditures:			
Current:			
Public works	5,000	2,440	2,560
Capital outlay	<u>503,600</u>	<u></u>	<u>503,600</u>
Total Expenditures	508,600	2,440	506,160
Excess of Revenues Over (Under) Expenditures	(33,500)	191,115	224,615
Other Financing Sources (Uses):			
Transfers in	75,000		(75,000)
Transfers out	<u>(50,000)</u>	<u>(80,000)</u>	<u>(30,000)</u>
Total Other Financing Sources (Uses)	25,000	(80,000)	(105,000)
Net Change in Fund Balance	(8,500)	111,115	119,615
Fund Balance, Beginning of Fiscal Year	625,262	625,262	
Fund Balance, End of Fiscal Year	\$ 616,762	\$ 736,377	\$ 119,615

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEMA/OES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 369,072	\$ 369,072
Use of money and property		30,706	30,706
Total Revenues		<u>399,778</u>	<u>399,778</u>
Other Financing Sources (Uses):			
Transfers out		(2,842)	(2,842)
Total Other Financing Sources (Uses)		<u>(2,842)</u>	<u>(2,842)</u>
Net Change in Fund Balance		396,936	396,936
Fund Balance, Beginning of Fiscal Year	542,335	542,335	
Fund Balance, End of Fiscal Year	\$ 542,335	\$ 939,271	\$ 396,936

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COPS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	\$ 100,009	\$ 9
Use of money and property	2,000	5,406	3,406
Total Revenues	102,000	105,415	3,415
Expenditures:			
Current:			
Public safety	100,000	59,948	40,052
Total Expenditures	100,000	59,948	40,052
Net Change in Fund Balance	2,000	45,467	43,467
Fund Balance, Beginning of Fiscal Year	94,383	94,383	
Fund Balance, End of Fiscal Year	\$ 96,383	\$ 139,850	\$ 43,467

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOME GRANTS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 2,426,795	\$ 1,496,382	\$ (930,413)
Use of money and property	<u>7,290</u>	<u>7,290</u>	<u>7,290</u>
Total Revenues	<u>2,426,795</u>	<u>1,503,672</u>	<u>(923,123)</u>
Expenditures:			
Current:			
Community development	<u>2,426,795</u>	<u>1,526,706</u>	<u>900,089</u>
Total Expenditures	<u>2,426,795</u>	<u>1,526,706</u>	<u>900,089</u>
Net Change in Fund Balance		(23,034)	(23,034)
Fund Balance, Beginning of Fiscal Year	<u>5,552</u>	<u>5,552</u>	<u>5,552</u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ 5,552</u>	<u>\$ (17,482)</u>	<u>\$ (23,034)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BASIC BUSINESS REVOLVING LOAN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 12,500	\$ 22,617	\$ 10,117
Miscellaneous	<u>2,500</u>	<u>1,716</u>	<u>(784)</u>
Total Revenues	<u>15,000</u>	<u>24,333</u>	<u>9,333</u>
Expenditures:			
Current:			
Community development	<u>3,500</u>	<u>1,060</u>	<u>2,440</u>
Total Expenditures	<u>3,500</u>	<u>1,060</u>	<u>2,440</u>
Net Change in Fund Balance	11,500	23,273	11,773
Fund Balance, Beginning of Fiscal Year	<u>454,496</u>	<u>454,496</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 465,996</u>	<u>\$ 477,769</u>	<u>\$ 11,773</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY USERS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 4,000	\$ 9,883	\$ 5,883
Total Revenues	<u>4,000</u>	<u>9,883</u>	<u>5,883</u>
Net Change in Fund Balance	4,000	9,883	5,883
Fund Balance, Beginning of Fiscal Year	<u>211,388</u>	<u>211,388</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 215,388</u>	<u>\$ 221,271</u>	<u>\$ 5,883</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PERS PHASE IN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 37,500	\$ 43,508	\$ 6,008
Total Revenues	<u>37,500</u>	<u>43,508</u>	<u>6,008</u>
Net Change in Fund Balance	37,500	43,508	6,008
Fund Balance, Beginning of Fiscal Year	<u>536,724</u>	<u>536,724</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 574,224</u>	<u>\$ 580,232</u>	<u>\$ 6,008</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HEALTHSPORT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	<u>\$ 1,100</u>	<u>\$ 3,229</u>	<u>\$ 2,129</u>
Total Revenues	<u>1,100</u>	<u>3,229</u>	<u>2,129</u>
Net Change in Fund Balance	<u>1,100</u>	<u>3,229</u>	<u>2,129</u>
Fund Balance, Beginning of Fiscal Year	<u>69,065</u>	<u>69,065</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 70,165</u>	<u>\$ 72,294</u>	<u>\$ 2,129</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UNDERGROUNDING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 500	\$ 758	\$ 258
Total Revenues	<u>500</u>	<u>758</u>	<u>258</u>
Expenditures:			
Capital outlay	10,882	4,215	6,667
Total Expenditures	<u>10,882</u>	<u>4,215</u>	<u>6,667</u>
Net Change in Fund Balance	(10,382)	(3,457)	6,925
Fund Balance, Beginning of Fiscal Year	<u>16,740</u>	<u>16,740</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 6,358</u>	<u>\$ 13,283</u>	<u>\$ 6,925</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CURTIS HEIGHTS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 300	\$ 663	\$ 363
Total Revenues	300	663	363
Net Change in Fund Balance	300	663	363
Fund Balance, Beginning of Fiscal Year	<u>14,170</u>	<u>14,170</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 14,470</u>	<u>\$ 14,833</u>	<u>\$ 363</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JANES CREEK MEADOWS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 18,000	\$ 18,503	\$ 503
Use of money and property	<u>1,000</u>	<u>332</u>	<u>(668)</u>
Total Revenues	<u>19,000</u>	<u>18,835</u>	<u>(165)</u>
Expenditures:			
Capital outlay	<u>100,000</u>	<u></u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u></u>	<u>100,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,000)</u>	<u>18,835</u>	<u>99,835</u>
Other Financing Sources (Uses):			
Transfers out	<u>(18,500)</u>	<u>(18,500)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(18,500)</u>	<u>(18,500)</u>	<u></u>
Net Change in Fund Balance	<u>(99,500)</u>	<u>335</u>	<u>99,835</u>
Fund Balance, Beginning of Fiscal Year	<u>9,384</u>	<u>9,384</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (90,116)</u>	<u>\$ 9,719</u>	<u>\$ 99,835</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WINDSONG SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 17,000	\$ 14,871	\$ (2,129)
Use of money and property	<u>1,000</u>	<u>1,029</u>	<u>29</u>
Total Revenues	<u>18,000</u>	<u>15,900</u>	<u>(2,100)</u>
Expenditures:			
Current:			
Parks and recreation	<u>700</u>	<u>700</u>	<u></u>
Total Expenditures	<u>700</u>	<u>700</u>	<u></u>
Excess of Revenues Over (Under) Expenditures	<u>17,300</u>	<u>15,200</u>	<u>(2,100)</u>
Other Financing Sources (Uses):			
Transfers in	<u>100,000</u>		(100,000)
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>83,000</u>	<u>(17,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	<u>100,300</u>	<u>(1,800)</u>	<u>(102,100)</u>
Fund Balance, Beginning of Fiscal Year	<u>25,020</u>	<u>25,020</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 125,320</u>	<u>\$ 23,220</u>	<u>\$ (102,100)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT ADMINISTRATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ 2,235	\$ 1,735
Total Revenues	<u>500</u>	<u>2,235</u>	<u>1,735</u>
Expenditures:			
Current:			
General government	341,227	308,204	33,023
Community development	<u>78,410</u>	<u>78,845</u>	<u>(435)</u>
Total Expenditures	<u>419,637</u>	<u>387,049</u>	<u>32,588</u>
Excess of Revenues Over (Under) Expenditures	<u>(419,137)</u>	<u>(384,814)</u>	<u>34,323</u>
Other Financing Sources (Uses):			
Transfers in	<u>450,000</u>	<u>445,500</u>	<u>(4,500)</u>
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>445,500</u>	<u>(4,500)</u>
Net Change in Fund Balance	30,863	60,686	29,823
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(6,931)</u>	<u>(6,931)</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 23,932</u>	<u>\$ 53,755</u>	<u>\$ 29,823</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT HOUSING SET ASIDE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 350,000	\$ 436,529	\$ 86,529
Use of money and property	15,000	94,536	79,536
Miscellaneous	<u>345,000</u>	<u>183,272</u>	<u>(161,728)</u>
Total Revenues	<u>710,000</u>	<u>714,337</u>	<u>4,337</u>
Expenditures:			
Current:			
General government	49,500	10,222	39,278
Community development	<u>972,500</u>	<u>365,422</u>	<u>607,078</u>
Total Expenditures	<u>1,022,000</u>	<u>375,644</u>	<u>646,356</u>
Net Change in Fund Balance	<u>(312,000)</u>	<u>338,693</u>	<u>650,693</u>
Fund Balance, Beginning of Fiscal Year	<u>1,807,813</u>	<u>1,807,813</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 1,495,813</u>	<u>\$ 2,146,506</u>	<u>\$ 650,693</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 5,000	\$ 10,436	\$ 5,436
Miscellaneous	<u>5,000</u>	<u>127,545</u>	<u>122,545</u>
Total Revenues	<u>10,000</u>	<u>137,981</u>	<u>127,981</u>
Other Financing Sources (Uses):			
Transfers out	(20,000)	(20,000)	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>
Net Change in Fund Balance	(10,000)	117,981	127,981
Fund Balance, Beginning of Fiscal Year	<u>192,808</u>	<u>192,808</u>	(20,000)
Fund Balance, End of Fiscal Year	<u>\$ 182,808</u>	<u>\$ 310,789</u>	<u>\$ 127,981</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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 Members of the City Council of the

City of Arcata
Arcata, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arcata, California, as of and for the fiscal year ended June 30, 2008 which collectively comprise the City of Arcata's basic financial statements, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Arcata's internal control over financial reporting as a basis for designing our auditing procedures 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 of Arcata's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Arcata's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Arcata's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Arcata's financial statements that is more than inconsequential will not be prevented or detected by the City of Arcata's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Arcata's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the City of Arcata in a separate letter dated February 16, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Arcata's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
March 4, 2009