

**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

Table of Contents

FINANCIAL SECTION

| | |
|---|----|
| A. Independent Auditor's Report | 1 |
| B. Management's Discussion and Analysis | 3 |
| C. Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 13 |
| Statement of Activities | 14 |
| Governmental Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 16 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement | |
| of Net Assets | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 20 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes | |
| in Fund Balances of Governmental Funds to the Statement of Activities | 23 |
| Proprietary Funds | |
| Statement of Net Assets | 24 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 26 |
| Statement of Cash Flows | 28 |
| Notes to the Basic Financial Statements | 33 |

REQUIRED SUPPLEMENTAL INFORMATION

| | |
|--|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget | |
| and Actual – General Fund | 66 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget | |
| and Actual – CDBG Housing Revolving Loan Special Revenue Fund | 68 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget | |
| and Actual – Housing Revolving Loan Special Revenue Fund | 69 |

OTHER SUPPLEMENTAL INFORMATION

| | |
|--|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget | |
| and Actual – Community Development Agency Capital Projects Fund | 72 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget | |
| and Actual – Community Development Agency Debt Service Fund | 73 |
| Combining Nonmajor Governmental Fund Statements and Schedules | |
| Combining Balance Sheet | 74 |
| Combining Statement of Revenues, Expenditures, and Changes | |
| in Fund Balances | 80 |

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

Table of Contents

OTHER SUPPLEMENTAL INFORMATION (CONTINUED)

| | |
|---|-----|
| Budgetary Comparison Schedules | |
| Bicycle Registration Special Revenue Fund..... | 86 |
| Post Special Revenue Fund..... | 87 |
| Forest Management Special Revenue Fund..... | 88 |
| Gas Tax 2106 Special Revenue Fund..... | 89 |
| Gas Tax 2107 and 2107.5 Special Revenue Fund..... | 90 |
| Traffic Safety Special Revenue Fund..... | 91 |
| STIP Special Revenue Fund..... | 92 |
| HUD Block Grant Special Revenue Fund..... | 93 |
| Industrial Park Special Revenue Fund..... | 94 |
| PEG Access Special Revenue Fund..... | 95 |
| Residential Construction Special Revenue Fund..... | 96 |
| Parkland in lieu Special Revenue Fund..... | 97 |
| Parking in lieu Special Revenue Fund..... | 98 |
| Gas Tax 2105 Special Revenue Fund..... | 99 |
| Proposition 172 Special Revenue Fund..... | 100 |
| ISTEA Special Revenue Fund..... | 101 |
| FEMA/OES Special Revenue Fund..... | 102 |
| COPS Special Revenue Fund..... | 103 |
| Home Grants Special Revenue Fund..... | 104 |
| Basic Business Revolving Loan Special Revenue Fund..... | 105 |
| Utility Users Special Revenue Fund..... | 106 |
| PERS Phase in Special Revenue Fund..... | 107 |
| Healthsport Special Revenue Fund..... | 108 |
| Undergrounding Special Revenue Fund..... | 109 |
| Curtis Heights Special Revenue Fund..... | 110 |
| Janes Creek Meadows Special Revenue Fund..... | 111 |
| Windsong Special Revenue Fund..... | 112 |
| Community Development Administration Special Revenue Fund..... | 113 |
| Community Development Housing Set Aside Special Revenue Fund..... | 114 |
| City Capital Projects Fund..... | 115 |

ADDITIONAL REPORT

| | |
|---|-----|
| 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..... | 116 |
|---|-----|



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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 | | | |
|--|--|--|--|
| | Government-wide Statements | Fund 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 | 2007/08 |
| 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% |

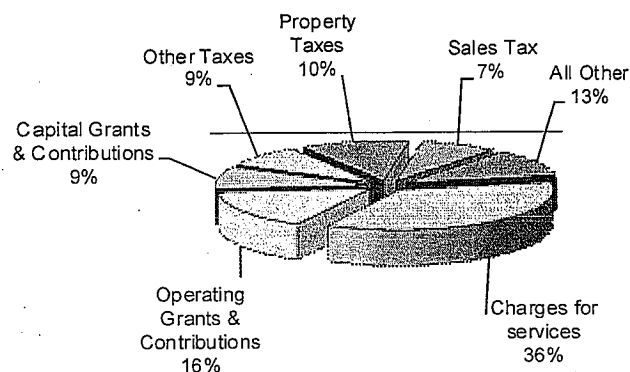
Net assets of the City's governmental and business-type activities increased \$3.0 million to \$64.6 million, a 4.9 percent increase. About 45.7 percent of the net assets of the City are represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, 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.

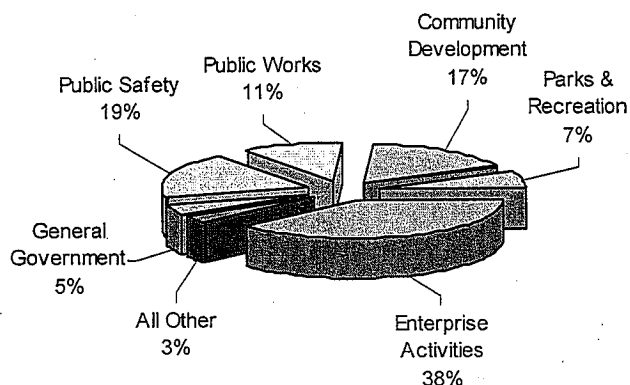
The Sources of the City's major types of revenue and the areas where such resources are used is shown below in summary graphic form:

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 | 2007/08 |
| 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 | 2007/08 |
| 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 |
| | <u>\$1,002,894</u> | <u>\$ 429,253</u> | <u>-(573,641)</u> |

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 | 2007/08 |
| 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

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (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 |
| | <u>569,402</u> | <u>569,402</u> |
| | 164,500 | 164,500 |
| <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) | <u>35,859</u> | |
| <u>9,692,880</u> | <u>264,753</u> | <u>9,957,633</u> |
| 2,579,256 | 429,253 | 3,008,509 |
| <u>43,121,455</u> | <u>18,515,847</u> | <u>61,637,302</u> |
| <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**

| | | Special Revenue Funds | |
|--|---------------------|--------------------------------|---------------------------|
| | 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 | \$ 5,004,792 | \$ 2,136,379 | \$ 4,364,747 |
| 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 | 1,240,763 | 1,876,418 | 4,188,534 |
| 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 | 3,764,029 | 259,961 | 176,213 |
| Total Liabilities and Fund Balances | \$ 5,004,792 | \$ 2,136,379 | \$ 4,364,747 |

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 |
| | | | 299,318 |
| 6,884,882 | 924,072 | | 7,809,115 |
| 100,190 | | 768 | 161,933 |
| | 40,016 | 343,516 | 1,125,543 |
| 24,500 | | 524,659 | 7,000,810 |
| 10,548 | | 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 |
| | 2,124,897 | | 2,124,897 |
| 24,500 | | 107,672 | 523,354 |
| | | 293,440 | 443,440 |
| | | | 3,072,709 |
| | | 4,631,845 | 5,063,376 |
| 9,218,729 | | 310,789 | 9,529,518 |
| <u>9,272,012</u> | <u>2,124,897</u> | <u>8,016,338</u> | <u>23,613,450</u> |
| <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. | 1,184,031 |
| 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

| | | Special Revenue Funds | |
|---|--------------|--------------------------------|---------------------------|
| | 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 | | |
|--|------------------------------------|--------------------------------|--------------------------------|
| Community Development Agency Capital Projects | Community Development Agency | Other Governmental Funds | Total Governmental Funds |
| \$ - | \$ 1,746,118 | \$ 591,745 | \$ 7,277,161 |
| | | 74,453 | 315,346 |
| | | 3,751,509 | 5,192,809 |
| | | | 446,518 |
| 451,616 | 91,556 | 354,358 | 1,649,443 |
| | | 116,565 | 370,790 |
| | | 2,904 | 2,904 |
| | | 623,909 | 1,088,367 |
| <u>451,616</u> | <u>1,837,674</u> | <u>5,515,443</u> | <u>16,343,338</u> |
| | | 318,426 | 1,070,129 |
| | | 216,191 | 4,075,372 |
| | | 611,509 | 1,212,181 |
| 244,293 | | 2,266,311 | 4,419,266 |
| | | 241,941 | 1,397,221 |
| | | 1,110,062 | 1,206,654 |
| | 235,000 | | 283,616 |
| | 697,778 | | 769,495 |
| <u>244,293</u> | <u>932,778</u> | <u>4,764,440</u> | <u>14,433,934</u> |
| <u>207,323</u> | <u>904,896</u> | <u>751,003</u> | <u>1,909,404</u> |
| 198,500 | | 1,028,715 | 1,227,215 |
| | (650,000) | (409,624) | (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>\$ 2,579,256</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 | 2,792,121 | 1,756,489 | 1,265,411 |
| 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 | | | 550,246 |
| Depreciable furniture and equipment, net | 41,103 | 371,526 | 18,481 |
| Total Noncurrent Assets | 3,693,670 | 7,101,346 | 1,266,821 |
| Total Assets | 6,485,791 | 8,857,835 | 2,532,232 |
| 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 | 439,271 | 340,184 | 287,117 |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Compensated absences | 34,464 | 36,092 | 8,977 |
| Notes payable | | | |
| Capital lease payable | 1,143,350 | | |
| Loan payable | | 1,926,000 | |
| Total Noncurrent Liabilities | 1,177,814 | 1,962,092 | 8,977 |
| Total Liabilities | 1,617,085 | 2,302,276 | 296,094 |
| 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 | \$ 4,868,706 | \$ 6,555,559 | \$ 2,236,138 |

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 |
| 341,595 | 187,219 | 6,342,835 | 547,177 |
| | | 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 |
| 38,872 | | 469,982 | 244,520 |
| 42,393 | 4,923,029 | 17,027,259 | 891,571 |
| 383,988 | 5,110,248 | 23,370,094 | 1,438,748 |
| | | | |
| 688 | 6,618 | 539,500 | 54,051 |
| 2,110 | 8,768 | 120,681 | 5,654 |
| | | 7,364 | |
| | 2,400 | 176,350 | |
| 1,160 | 28,009 | 272,430 | 47,611 |
| 3,958 | 45,795 | 1,116,325 | 107,316 |
| | | | |
| 3,481 | 11,893 | 94,907 | 11,848 |
| | 144,412 | 144,412 | |
| | | 1,143,350 | 135,553 |
| | | 1,926,000 | |
| 3,481 | 156,305 | 3,308,669 | 147,401 |
| 7,439 | 202,100 | 4,424,994 | 254,717 |
| | | | |
| 42,393 | 4,754,572 | 13,572,702 | 708,407 |
| | | 298 | |
| 334,156 | 153,576 | 5,372,100 | 475,624 |
| \$ 376,549 | \$ 4,908,148 | \$ 18,945,100 | \$ 1,184,031 |

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

| | Business-type Activities - Enterprise Funds | |
|---|--|--------------|
| | Water | Wastewater |
| 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 | \$ - |
| 60,595 | 7,623 | 76,019 | 502,088 | 937,045 |
| 403,216 | 688,457 | 296,177 | 7,227,423 | 330 |
| 285,603 | 50,809 | 195,269 | 2,680,161 | 937,375 |
| 158,657 | 498,995 | 37,826 | 1,111,895 | 140,719 |
| 72,427 | 7,001 | 11,684 | 348,727 | 15,317 |
| 235,076 | 8,960 | 74,181 | 1,197,555 | 224,941 |
| | | | 452,658 | 63,107 |
| 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 | |
| 971,131 | 645,505 | 437,484 | 8,101,158 | 674,843 |
| (567,915) | 42,952 | (141,307) | (873,735) | 262,532 |
| 46,012 | 8,504 | | 228,894 | 21,879 |
| | | (9,816) | (281,114) | |
| 584,324 | 14,500 | 720,525 | 1,319,349 | |
| 630,336 | 23,004 | 710,709 | 1,267,129 | 21,879 |
| 62,421 | 65,956 | 569,402 | 393,394 | 284,411 |
| | | 185,859 | 185,859 | |
| (35,000) | (25,000) | | (150,000) | |
| (35,000) | (25,000) | 185,859 | 35,859 | |
| 27,421 | 40,956 | 755,261 | 429,253 | 284,411 |
| 2,208,717 | 335,593 | 4,152,887 | 18,515,847 | 899,620 |
| \$ 2,236,138 | \$ 376,549 | \$ 4,908,148 | \$ 18,945,100 | \$ 1,184,031 |

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

| | Business-type Activities - Enterprise Funds | |
|--|--|---------------------|
| | Water | Wastewater |
| Cash Flows from Operating Activities: | | |
| Cash received from customers and users | \$ 2,926,385 | \$ 3,277,044 |
| Cash received from interfund services provided | | |
| Cash paid to suppliers for goods and services | (1,346,516) | (1,065,276) |
| Cash paid to employees for services | (1,048,018) | (1,081,361) |
| Cash paid for allocated overhead | (335,560) | (335,570) |
| Net Cash Provided (Used) by Operating Activities | 196,291 | 794,837 |
| Cash Flows from Non-Capital Financing Activities: | | |
| Intergovernmental revenue | | |
| Cash due from (to) other funds | 1,850 | |
| Cash transfers to other funds | (31,050) | (58,950) |
| Cash transfers from other funds | | |
| Net Cash Provided (Used) by Non-Capital Financing Activities | (29,200) | (58,950) |
| 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 | (405,567) | (491,057) |
| Cash Flows from Investing Activities: | | |
| Interest received | 110,516 | 63,862 |
| Net Cash Provided (Used) by Investing Activities | 110,516 | 63,862 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (127,960) | 308,692 |
| Cash and Cash Equivalents at Beginning of Fiscal Year | 2,183,651 | 1,162,280 |
| Cash and Cash Equivalents at End of Fiscal Year | \$ 2,055,691 | \$ 1,470,972 |
| Reconciliation to Statement of Net Assets: | | |
| Cash and investments | \$ 2,055,393 | \$ 1,470,512 |
| Cash and investments with fiscal agents | 298 | 460 |
| | \$ 2,055,691 | \$ 1,470,972 |

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

(Continued)

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

| | Business-type Activities - Enterprise Funds | |
|---|--|------------|
| | Water | Wastewater |
| Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ (342,750) | \$ 135,285 |
| 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 | 18,907 | |
| Total Adjustments | 539,041 | 659,552 |
| Net Cash Provided (Used) by Operating Activities | \$ 196,291 | \$ 794,837 |

See Notes to Basic Financial Statements

| Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|--------------------|---------------------|---------------------|---|
| <u>Transit</u> | <u>Solid Waste</u> | <u>Stormwater</u> | <u>Totals</u> | |
| <u>\$ (567,915)</u> | <u>\$ 42,952</u> | <u>\$ (141,307)</u> | <u>\$ (873,735)</u> | <u>\$ 262,532</u> |
| 118,317 | 10,411 | 22,859 | 658,756 267,621 | 172,274 |
| (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 | |
| <u>312,221</u> | <u>(3,887)</u> | <u>(33,542)</u> | <u>1,473,385</u> | <u>209,452</u> |
| <u>\$ (255,694)</u> | <u>\$ 39,065</u> | <u>\$ (174,849)</u> | <u>\$ 599,650</u> | <u>\$ 471,984</u> |

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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:

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| 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 <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u><u>\$ 28,353,973</u></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 commission 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 | <u>284,411</u> |
| | <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 <i>changes in 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 |
|--|-------------------------|--------------|--------------|
| <u>Major Governmental Fund:</u> | | | |
| 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 | 7,809,873 |
| 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 | 23,913,138 |
| 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 | | | |
|-----------------------------|----------------------|----------------------------|------------------------------|------------------------------|-------------------|-------------|---------------------|
| | | | | AAA | AA | A | Not Rated |
| 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 | 492,772 |
| Total notes receivable, Governmental funds | <u>\$ 7,000,810</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

| <u>Receivable Fund</u> | <u>Amount</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-------------------|---------------------|-------------------|
| 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 | 391,182 | | |
| | <u>\$ 505,039</u> | | <u>\$ 505,039</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 | |
| | <u>\$ 1,413,074</u> | <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 | 8,653,709 | | | 8,653,709 |
| 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 | 40,654,137 | 1,093,882 | | 41,748,019 |
| Total capital assets, being depreciated | 58,960,365 | 1,199,954 | | 60,160,319 |
| 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 | (29,835,626) | (1,068,981) | | (30,904,607) |
| Total accumulated depreciation | (38,872,490) | (1,587,567) | | (40,460,057) |
| Total capital assets, being depreciated, net | 20,087,875 | (387,613) | | 19,700,262 |
| Governmental activities capital assets, net | \$ 28,741,584 | \$ (387,613) | \$ - | \$ 28,353,971 |

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 | 2,880,009 | 331,502 | (97,790) | 3,113,721 |
| Total capital assets, being depreciated | 3,296,738 | 485,380 | (97,790) | 3,684,328 |
| 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 | (2,429,038) | (139,118) | 97,790 | (2,470,366) |
| Total accumulated depreciation | (2,718,270) | (172,275) | 97,790 | (2,792,755) |
| Total capital assets, being depreciated, net | \$ 578,468 | \$ 313,105 | \$ - | \$ 891,573 |

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 | 8,653,709 | | | 8,653,709 |
| 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 | 2,880,009 | 331,502 | (97,790) | 3,113,721 |
| Total capital assets, being depreciated | 62,257,103 | 1,685,334 | (97,790) | 63,844,647 |
| 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 | (2,429,038) | (139,118) | 97,790 | (2,470,366) |
| Total accumulated depreciation | (41,590,760) | (1,759,842) | 97,790 | (43,252,812) |
| Total capital assets, being depreciated, net | 20,666,343 | (74,508) | | 20,591,835 |
| Governmental activities capital assets, net | \$ 29,320,052 | \$ (74,508) | \$ - | \$ 29,245,544 |

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 | 4,180,303 | 660,697 | | 4,841,000 |
| 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 | 24,585,964 | 260,237 | (9,291) | 24,836,910 |
| 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 | (12,042,459) | (658,756) | 9,291 | (12,691,924) |
| Total capital assets, being depreciated, net | 12,543,505 | (398,519) | | 12,144,986 |
| 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 | 169,783 | |
| 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 | 22,859 | |
| 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:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 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 | <u>\$ 3,330,000</u> | <u>\$ 1,842,300</u> | <u>\$ 5,172,300</u> |

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 | <u>\$ 9,385,000</u> | <u>\$ 8,463,925</u> | <u>\$ 17,848,925</u> |

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 | <u>\$ 63,339</u> | <u>\$ 7,754</u> | <u>\$ 71,093</u> |

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:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 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 | 29,881 | 1,569 | 31,450 |
| Totals | <u>\$ 183,164</u> | <u>\$ 26,453</u> | <u>\$ 209,617</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:

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 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 | 822,000 | 91,160 | 913,160 |
| | <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 | <u>\$ 662,900</u> | <u>\$ 202,540</u> | <u>\$ 1,231,100</u> | <u>\$ 376,144</u> |

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

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

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 | | (14,007,048) |
| Members' equity | \$ | <u>4,394,140</u> |
| | | |
| Total revenues | \$ | 8,363,776 |
| Total expenses | | (8,294,848) |
| 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 | - |
| Net OPEB obligation - end of fiscal year | <u>\$ 125,098</u> |

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:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contribution</u> | <u>Net OPEB Obligation (Asset)</u> |
|----------------------------------|-----------------------------|--|--|
| 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 | Variance with |
|-----------------------------------|------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| 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 | <u>7,910,760</u> | <u>8,105,999</u> | <u>7,779,913</u> | <u>(326,086)</u> |
| 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 | <u>882,572</u> | <u>879,272</u> | <u>751,703</u> | <u>127,569</u> |
| 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 | <u>4,083,427</u> | <u>4,035,125</u> | <u>3,859,181</u> | <u>175,944</u> |

(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 | Amounts | Final Budget - Positive (Negative) |
| Expenditures: | | | | |
| Current: | | | | |
| Community development: | | | | |
| Planning services | \$ 692,499 | \$ 661,549 | \$ 428,928 | \$ 232,621 |
| Communications | 58,402 | 58,402 | 45,618 | 12,784 |
| Geographic information system | 32,602 | 35,602 | 33,642 | 1,960 |
| Building | 303,921 | 303,921 | 300,095 | 3,826 |
| Total community development | 1,087,424 | 1,059,474 | 808,283 | 251,191 |
| Public works: | | | | |
| Engineering | 220,058 | 295,690 | 211,562 | 84,128 |
| Corporation yard | (148) | (148) | (659) | 511 |
| Government buildings | 333,658 | 330,767 | 389,769 | (59,002) |
| Total public works | 553,568 | 626,309 | 600,672 | 25,637 |
| Parks and recreation: | | | | |
| Library | 6,200 | 6,200 | 7,204 | (1,004) |
| Recreation | 546,775 | 546,775 | 504,967 | 41,808 |
| Parks | 648,202 | 646,219 | 643,109 | 3,110 |
| Total parks and recreation | 1,201,177 | 1,199,194 | 1,155,280 | 43,914 |
| Debt Service: | | | | |
| Principal | 48,616 | 48,616 | 48,616 | |
| Interest | 41,997 | 41,997 | 71,717 | (29,720) |
| Total debt service | 90,613 | 90,613 | 120,333 | (29,720) |
| Capital outlay | 402,725 | 546,082 | 96,592 | 449,490 |
| Total Expenditures | 8,301,506 | 8,436,069 | 7,392,044 | 1,044,025 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | (390,746) | (330,070) | 387,869 | 717,939 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 237,500 | 237,500 | | (237,500) |
| Transfers out | (379,088) | (379,088) | (203,450) | 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) | (141,588) | (141,588) | (247,550) | (105,962) |
| Net Change in Fund Balance | (532,334) | (471,658) | 140,319 | 611,977 |
| Fund Balance, beginning of fiscal year | 3,623,710 | 3,623,710 | 3,623,710 | |
| Fund Balance, end of fiscal year | \$ 3,091,376 | \$ 3,152,052 | \$ 3,764,029 | \$ 611,977 |

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 | Variance with |
|--|------------------|------------|------------|---------------------|
| | Original | Final | Amounts | Final Budget - |
| | | | | Positive (Negative) |
| 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

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|-------------------|---------------------------------------|
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Use of money and property | \$ 25,000 | \$ 55,000 | \$ 220,028 | \$ 165,028 |
| Miscellaneous | 150,000 | 150,000 | 102,551 | (47,449) |
| Total Revenues | 175,000 | 205,000 | 322,579 | 117,579 |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 180,000 | 210,000 | 613,230 | (403,230) |
| Total Expenditures | 180,000 | 210,000 | 613,230 | (403,230) |
| Net Change in Fund Balance | (5,000) | (5,000) | (290,651) | (285,651) |
| Fund Balance, Beginning of Fiscal Year | 466,864 | 466,864 | 466,864 | |
| 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 | Amounts | Final Budget |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Use of money and property | \$ 180,000 | \$ 250,000 | \$ 451,616 | \$ 201,616 |
| Total Revenues | 180,000 | 250,000 | 451,616 | 201,616 |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 2,468,750 | 2,478,750 | 244,293 | 2,234,457 |
| Total Expenditures | 2,468,750 | 2,478,750 | 244,293 | 2,234,457 |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | (2,288,750) | (2,228,750) | 207,323 | 2,436,073 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | | | 198,500 | 198,500 |
| Transfers out | (81,000) | (81,000) | | 81,000 |
| Total Other Financing Sources (Uses) | (81,000) | (81,000) | 198,500 | 279,500 |
| Net Change in Fund Balance | (2,369,750) | (2,309,750) | 405,823 | 2,715,573 |
| Fund Balance, beginning of fiscal year | 8,866,189 | 8,866,189 | 8,866,189 | |
| Fund Balance, end of fiscal year | \$ 6,496,439 | \$ 6,556,439 | \$ 9,272,012 | \$ 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>Actual</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive (Negative)</u> |
| Revenues: | | | | |
| Property tax increment revenue | \$ 1,525,000 | \$ 1,525,000 | \$ 1,746,118 | \$ 221,118 |
| Use of money and property | 35,000 | 35,000 | 91,556 | 56,556 |
| Total Revenues | <u>1,560,000</u> | <u>1,560,000</u> | <u>1,837,674</u> | <u>277,674</u> |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal retirement | 635,000 | 635,000 | 235,000 | 400,000 |
| Interest and fiscal charges | 704,211 | 704,211 | 697,778 | 6,433 |
| Total Expenditures | <u>1,339,211</u> | <u>1,339,211</u> | <u>932,778</u> | <u>406,433</u> |
| Excess of Revenues Over (Under) Expenditures | <u>220,789</u> | <u>220,789</u> | <u>904,896</u> | <u>684,107</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(450,000)</u> | <u>(450,000)</u> | <u>(650,000)</u> | <u>(200,000)</u> |
| Total Other Financing Sources (Uses) | <u>(450,000)</u> | <u>(450,000)</u> | <u>(650,000)</u> | <u>(200,000)</u> |
| Net Change in Fund Balance | <u>(229,211)</u> | <u>(229,211)</u> | <u>254,896</u> | <u>484,107</u> |
| Fund Balance, Beginning of Fiscal Year | <u>1,870,001</u> | <u>1,870,001</u> | <u>1,870,001</u> | |
| Fund Balance, End of Fiscal Year | <u>\$ 1,640,790</u> | <u>\$ 1,640,790</u> | <u>\$ 2,124,897</u> | <u>\$ 484,107</u> |

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 2107 and 2107.5 | 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 | | | | | |
| <u>\$ 905,944</u> | <u>\$ 232,382</u> | <u>\$ -</u> | <u>\$ 35,641</u> | <u>\$ 602,382</u> | <u>\$ 4,514</u> | <u>\$ 76,549</u> |
| \$ 303,343 | \$ 793 | \$ 20,067 | \$ - | \$ - | \$ - | \$ - |
| 17,269 | 3,949 | | | | | |
| | | 18,688 | 13,674 | | | |
| 6,300 | | | | | | |
| <u>326,912</u> | <u>4,742</u> | <u>38,755</u> | <u>13,674</u> | | | |
| 239,894 | | 110,911 | 5,779 | | | |
| 1,615 | 123,762 | | | | | |
| | | | | 60,800 | | |
| <u>337,523</u> | <u>103,878</u> | <u>(149,666)</u> | <u>16,188</u> | <u>541,582</u> | <u>4,514</u> | <u>76,549</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> |
| <u>\$ 905,944</u> | <u>\$ 232,382</u> | <u>\$ -</u> | <u>\$ 35,641</u> | <u>\$ 602,382</u> | <u>\$ 4,514</u> | <u>\$ 76,549</u> |

(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 | <u>\$ 376,084</u> | <u>\$ 246,046</u> | <u>\$ 33,352</u> | <u>\$ 87,582</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 9,480 | \$ - | \$ - | \$ - |
| Accrued liabilities | | | | |
| Due to other funds | | | | |
| Deposits payable | | | | |
| Deferred revenues | | | | |
| Total Liabilities | <u>9,480</u> | | | |
| 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 | <u>366,604</u> | <u>246,046</u> | <u>33,352</u> | <u>87,582</u> |
| Total Liabilities and Fund Balances | <u>\$ 376,084</u> | <u>\$ 246,046</u> | <u>\$ 33,352</u> | <u>\$ 87,582</u> |

| Special Revenue Funds | | | | | | | |
|-----------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|
| ISTEA | FEMA/ OES | COPS | HOME Grants | Basic Business | | PERS Phase In | Healthsport |
| | | | | Revolving Loan | Utility Users | | |
| \$ 656,372 | \$ 939,271 | \$ 139,850 | \$ - | \$ 477,001 | \$ 221,271 | \$ 180,232 | \$ 72,294 |
| | | | | 768 | | | |
| 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 | <u>\$ 13,344</u> | <u>\$ 14,833</u> | <u>\$ 9,719</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 61 | \$ - | \$ - |
| Accrued liabilities | | | |
| Due to other funds | | | |
| Deposits payable | | | |
| Deferred revenues | | | |
| Total Liabilities | <u>61</u> | | |
| 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 | <u>13,283</u> | <u>14,833</u> | <u>9,719</u> |
| Total Liabilities and Fund Balances | <u>\$ 13,344</u> | <u>\$ 14,833</u> | <u>\$ 9,719</u> |

| Windsong | Special Revenue Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|------------------|--------------------------------------|---|-----------------------|-----------------------------------|
| | Community Development Administration | Community Development Housing Set Aside | City Capital Projects | |
| \$ 23,742 | \$ 64,464 | \$ 2,024,121 | \$ 310,789 | \$ 7,489,753 |
| | | | | 768 |
| 178 | | 3,210 | | 343,516 |
| | | 492,772 | | 524,659 |
| | | 14,396 | | 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 |
| | | | | 113,857 |
| | | 800 | | 7,100 |
| | | 385,100 | | 416,987 |
| <u>700</u> | <u>10,709</u> | <u>387,993</u> | | <u>915,380</u> |
| | | | | |
| | | 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

| | Special Revenue Funds | | | |
|--|-------------------------|------------|----------------------|--------------------|
| | 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 | | | | | |
| 10,274 | 19,219 | | | 25,841 | 60 | |
| 737,913 | 137,206 | 400,819 | 328,534 | 52,252 | 259 | 37,106 |
| | | | | | | |
| | 138,886 | | 293,711 | 567 | | |
| 514,533 | | 94,536 | | | | |
| 733,488 | | 352,570 | | 4,033 | | |
| 1,248,021 | 138,886 | 447,106 | 293,711 | 4,600 | | |
| (510,108) | (1,680) | (46,287) | 34,823 | 47,652 | 259 | 37,106 |
| | | | | | | |
| 513,610 | 64,775 | 4,830 | | | | |
| (4,000) | | | | (17,500) | | |
| 509,610 | 64,775 | 4,830 | | (17,500) | | |
| (498) | 63,095 | (41,457) | 34,823 | 30,152 | 259 | 37,106 |
| 579,530 | 164,545 | 2,702 | (12,856) | 572,230 | 4,255 | 39,443 |
| \$ 579,032 | \$ 227,640 | \$ (38,755) | \$ 21,967 | \$ 602,382 | \$ 4,514 | \$ 76,549 |

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 | | | |
|--|-----------------------|--------------------|-----------------|--------------------|
| | 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 | | | | | | | |
|-----------------------|--------------|------------|----------------|-------------------|------------------|------------------|-------------|
| ISTEA | FEMA/ OES | COPS | HOME Grants | Basic Business | | PERS Phase In | Healthsport |
| | | | | Revolving Loan | Utility Users | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 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 Fund | Total Nonmajor Governmental Funds |
|-----------|--------------------------------------|---|-----------------------|-----------------------------------|
| | Community Development Administration | Community Development Housing Set Aside | City Capital Projects | |
| \$ 14,871 | \$ - | \$ 436,529 | \$ - | \$ 591,745 |
| | | | | 74,453 |
| | | | | 3,751,509 |
| 1,029 | 2,235 | 94,536 | 10,436 | 354,358 |
| | | | | 116,565 |
| | | | | 2,904 |
| | | 183,272 | 127,545 | 623,909 |
| 15,900 | 2,235 | 714,337 | 137,981 | 5,515,443 |
| | 308,204 | 10,222 | | 318,426 |
| | | | | 216,191 |
| | 78,845 | 365,422 | | 2,266,311 |
| 700 | | | | 241,941 |
| | | | | 611,509 |
| | | | | 1,110,062 |
| 700 | 387,049 | 375,644 | | 4,764,440 |
| 15,200 | (384,814) | 338,693 | 137,981 | 751,003 |
| | 445,500 | | | 1,028,715 |
| (17,000) | | | (20,000) | (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 |
| \$ 23,220 | \$ 53,755 | \$ 2,146,506 | \$ 310,789 | \$ 8,016,338 |

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) |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 375 | 277 | (98) |
| | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balance | 375 | 277 | (98) |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance, Beginning of Fiscal Year | 306 | 306 | |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance, End of Fiscal Year | \$ 681 | \$ 583 | \$ (98) |
| | <hr/> | <hr/> | <hr/> |

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> | |
| 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 | 695,516 | 255,982 | (439,534) |
| 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 | 511,016 | 6,276 | 504,740 |
| 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 | (81,828) | (27) | 81,801 |
| 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 | <u>(87,500)</u> | <u>(61,868)</u> | <u>25,632</u> |
| 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><u>\$ 7,222</u></u> | <u><u>\$ 27,080</u></u> | <u><u>\$ 19,858</u></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 | <u>865,738</u> | <u>737,913</u> | <u>(127,825)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 593,979 | 514,533 | 79,446 |
| Capital outlay | 1,076,443 | 733,488 | 342,955 |
| Total Expenditures | <u>1,670,422</u> | <u>1,248,021</u> | <u>422,401</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(804,684)</u> | <u>(510,108)</u> | <u>294,576</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 542,979 | 513,610 | (29,369) |
| Transfers out | (4,000) | (4,000) | |
| Total Other Financing Sources (Uses) | <u>538,979</u> | <u>509,610</u> | <u>(29,369)</u> |
| Net Change in Fund Balance | (265,705) | (498) | 265,207 |
| Fund Balance, Beginning of Fiscal Year | <u>579,530</u> | <u>579,530</u> | |
| Fund Balance, End of Fiscal Year | <u>\$ 313,825</u> | <u>\$ 579,032</u> | <u>\$ 265,207</u> |

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 | | 19,219 | 19,219 |
| | <u>80,500</u> | <u>137,206</u> | <u>56,706</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 145,275 | 138,886 | 6,389 |
| | <u>145,275</u> | <u>138,886</u> | <u>6,389</u> |
| Total Expenditures | | | |
| Excess of Revenues Over (Under) Expenditures | <u>(64,775)</u> | <u>(1,680)</u> | <u>63,095</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 64,775 | 64,775 | |
| | <u>64,775</u> | <u>64,775</u> | |
| Total Other Financing Sources (Uses) | | | |
| Net Change in Fund Balance | | 63,095 | 63,095 |
| Fund Balance, Beginning of Fiscal Year | 164,545 | 164,545 | |
| | <u>164,545</u> | <u>164,545</u> | |
| Fund Balance, End of Fiscal Year | <u>\$ 164,545</u> | <u>\$ 227,640</u> | <u>\$ 63,095</u> |

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 | \$ 301,000 | \$ 400,819 | \$ 99,819 |
| 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 | (567,616) | (41,457) | 526,159 |
| Fund Balance, Beginning of Fiscal Year | <u>2,702</u> | <u>2,702</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> | |
| 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 | 73,000 | 25,841 | (47,159) |
| Total Revenues | 83,000 | 52,252 | (30,748) |
| Expenditures: | | | |
| Current: | | | |
| Community development | 105,000 | 567 | 104,433 |
| Capital outlay | 22,000 | 4,033 | 17,967 |
| Total Expenditures | 127,000 | 4,600 | 122,400 |
| Excess of Revenues Over (Under) Expenditures | (44,000) | 47,652 | 91,652 |
| Other Financing Sources (Uses): | | | |
| Transfers out | (32,500) | (17,500) | 15,000 |
| Total Other Financing Sources (Uses) | (32,500) | (17,500) | 15,000 |
| Net Change in Fund Balance | (76,500) | 30,152 | 106,652 |
| Fund Balance, Beginning of Fiscal Year | 572,230 | 572,230 | |
| Fund Balance, End of Fiscal Year | \$ 495,730 | \$ 602,382 | \$ 106,652 |

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 | | 60 | 60 |
| Total Revenues | | 259 | 259 |
| Net Change in Fund Balance | | 259 | 259 |
| Fund Balance, Beginning of Fiscal Year | 4,255 | 4,255 | |
| Fund Balance, End of Fiscal Year | \$ 4,255 | \$ 4,514 | \$ 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 | 1,000 | 2,447 | 1,447 |
| 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></u> |
| Fund Balance, End of Fiscal Year | <u><u>\$ 60,443</u></u> | <u><u>\$ 76,549</u></u> | <u><u>\$ 16,106</u></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

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

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 | <u>(107,000)</u> | <u>(78,093)</u> | <u>28,907</u> |
| 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><u>\$ 9,177</u></u> | <u><u>\$ 33,352</u></u> | <u><u>\$ 24,175</u></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) | |
| Total Other Financing Sources (Uses) | (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 | |
| 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 | 2,500 | 29,318 | 26,818 |
| Total Revenues | 475,100 | 193,555 | (281,545) |
| Expenditures: | | | |
| Current: | | | |
| Public works | 5,000 | 2,440 | 2,560 |
| Capital outlay | 503,600 | | 503,600 |
| 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 | (50,000) | (80,000) | (30,000) |
| 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 | | 399,778 | 399,778 |
| Other Financing Sources (Uses): | | | |
| Transfers out | | (2,842) | (2,842) |
| Total Other Financing Sources (Uses) | | (2,842) | (2,842) |
| 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 | <u>102,000</u> | <u>105,415</u> | <u>3,415</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | <u>100,000</u> | <u>59,948</u> | <u>40,052</u> |
| Total Expenditures | <u>100,000</u> | <u>59,948</u> | <u>40,052</u> |
| Net Change in Fund Balance | 2,000 | 45,467 | 43,467 |
| Fund Balance, Beginning of Fiscal Year | <u>94,383</u> | <u>94,383</u> | |
| Fund Balance, End of Fiscal Year | <u><u>\$ 96,383</u></u> | <u><u>\$ 139,850</u></u> | <u><u>\$ 43,467</u></u> |

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 | | 7,290 | 7,290 |
| 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> | |
| 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 | 2,500 | 1,716 | (784) |
| Total Revenues | <u>15,000</u> | <u>24,333</u> | <u>9,333</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 3,500 | 1,060 | 2,440 |
| 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> | |
| 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

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

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 | 37,500 | 43,508 | 6,008 |
| Net Change in Fund Balance | 37,500 | 43,508 | 6,008 |
| Fund Balance, Beginning of Fiscal Year | 536,724 | 536,724 | |
| 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 | \$ 1,100 | \$ 3,229 | \$ 2,129 |
| Total Revenues | 1,100 | 3,229 | 2,129 |
| Net Change in Fund Balance | 1,100 | 3,229 | 2,129 |
| Fund Balance, Beginning of Fiscal Year | 69,065 | 69,065 | |
| Fund Balance, End of Fiscal Year | \$ 70,165 | \$ 72,294 | \$ 2,129 |

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

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

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 | 14,170 | 14,170 | |
| Fund Balance, End of Fiscal Year | \$ 14,470 | \$ 14,833 | \$ 363 |

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 | 1,000 | 332 | (668) |
| Total Revenues | 19,000 | 18,835 | (165) |
| Expenditures: | | | |
| Capital outlay | 100,000 | | 100,000 |
| Total Expenditures | 100,000 | | 100,000 |
| Excess of Revenues Over (Under) Expenditures | (81,000) | 18,835 | 99,835 |
| Other Financing Sources (Uses): | | | |
| Transfers out | (18,500) | (18,500) | |
| Total Other Financing Sources (Uses) | (18,500) | (18,500) | |
| Net Change in Fund Balance | (99,500) | 335 | 99,835 |
| Fund Balance, Beginning of Fiscal Year | 9,384 | 9,384 | |
| Fund Balance (Deficit), End of Fiscal Year | \$ (90,116) | \$ 9,719 | \$ 99,835 |

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 | 1,000 | 1,029 | 29 |
| Total Revenues | 18,000 | 15,900 | (2,100) |
| Expenditures: | | | |
| Current: | | | |
| Parks and recreation | 700 | 700 | |
| Total Expenditures | 700 | 700 | |
| Excess of Revenues Over (Under) Expenditures | 17,300 | 15,200 | (2,100) |
| Other Financing Sources (Uses): | | | |
| Transfers in | 100,000 | | (100,000) |
| Transfers out | (17,000) | (17,000) | |
| Total Other Financing Sources (Uses) | 83,000 | (17,000) | (100,000) |
| Net Change in Fund Balance | 100,300 | (1,800) | (102,100) |
| Fund Balance, Beginning of Fiscal Year | 25,020 | 25,020 | |
| Fund Balance, End of Fiscal Year | \$ 125,320 | \$ 23,220 | \$ (102,100) |

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

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 | 345,000 | 183,272 | (161,728) |
| 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 | 972,500 | 365,422 | 607,078 |
| Total Expenditures | <u>1,022,000</u> | <u>375,644</u> | <u>646,356</u> |
| Net Change in Fund Balance | (312,000) | 338,693 | 650,693 |
| Fund Balance, Beginning of Fiscal Year | <u>1,807,813</u> | <u>1,807,813</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

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



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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